

October 9, 2002

A regular meeting of the State Internal Audit Advisory Board was held on October 9, 2002, at the Capital City Center, Springfield, Illinois. The meeting was called to order by Chair Lesslie Morgan at 10:00 A.M. Due to a lack of a quorum, the meeting was reconvened at 10:10 A.M. under Adopted Motion #18 and the arrival of an additional Board member.

If a quorum is not present, the presiding Chairperson may reconvene the meeting after ten minutes from the appointed time, in order to conduct regular business. (October 9, 2001)

Members Present:

Lesslie D. Morgan - Chair - Department of Insurance
Stephen D. Kirk - Vice-Chair - Capital Development Board
Robert Schwarz - Department of Central Management Services
Carol Kraus - Office of the Comptroller
Barbara Ringler - Office of the Treasurer
Valerie Koch - Office of the Attorney General - Substitute for James S. Reid

Members Absent:

Al DiSilvestro - IL Secretary of State
C. William Coons - Department of Professional Regulation
Kathleen Moreno - Eastern Illinois University
Bradley W. Hammond - Department of Natural Resources
Nancy J. Hilger - Department of Agriculture

Minutes:

The Board reviewed the minutes from the September 11, 2002 meeting. A motion was made by Mr. Schwarz and seconded by Ms. Ringler to accept the minutes. All approved the motion.

Old Business:

Peer Review

Report Acceptance Committee Chair - Carol Kraus reported two outstanding peer reviews are under review: State Employee Retirement System and Western Illinois University.

Quality Assurance Committees

Develop New Peer Review Program To Be Used By Teams Committee.
Chairperson - Barb Ringler

The Chair of that committee, Ms. Ringler reported that a draft copy of the Peer Review Program

was presented to Chair Morgan at the September 11, 2002 Board meeting. Since then, Chair Morgan and Ms. Ringler have met to discuss revisions to the program. A revised copy of the draft Peer Review Program was provided to Chair Morgan during the meeting.

After discussion, the Board agreed that an opinion/cover letter for the Peer Review Report should include statement of compliance and issues in finding format.

Revise Online Peer Review Training Committee. Chairperson - Lesslie Morgan

Chair Morgan reported that the Online Training Committee was on target and that she hoped to forward Lessons and Quizzes to the webmaster by the November Board meeting. She indicated that after the Online Training Course has been added to the website, additional testing will be done in November and early December to ensure that the training course is accurate and complete. Chair Morgan anticipated that the course would be available to individuals by the end of the calendar year.

Chair Morgan indicated that after having reviewed the draft copy of the Peer Review Program the format for the new Online Training Lessons has been changed from the prior Online Training Course and would no longer include specific review steps. With the Quality Assurance - Peer Review Program available on the Board's website having both the Program and the Online Training Course include specific steps appeared duplicative and may result in discrepancies should updates be needed.

Chair Morgan asked if the Board wanted to review the Quality Assurance Peer Review Program and Online Training Course prior to making them available on the website. To expedite the program, the Board agreed to rely on each committee's technical knowledge of the areas under review.

A motion was made by Mr. Schwarz and seconded by Ms. Kraus to place the Peer Review Program and Online Training Course on the SIAAB website without additional review by the Board. All were in favor.

Board Appointments

The Board's recruitment letter to the Chief Internal Auditors did not produce any nominations for membership on the Board. After discussion, the Board decided to postpone any further nominations until the next administration.

New Business:

Procurement Card Implementation

Mr. Schwarz and the members of the Procurement Card Committee have been trying to address issues as they arise and one of the issues concerns records retention.

The Committee keeps records a minimum of two years to allow the Office of Auditor General

the opportunity to review. Bank One (Contractor for Procurement Cards) keeps records for sixteen “rolling” month, dropping the oldest as they add new. Does the Board consider it adequate if the Committee downloads the records that are dropped and store them for the additional time to meet the two-year requirement?

After discussion, the Board recommended the records be maintained for five years. The Procurement Card Committee is developing a policy statement, agencies may add stricter guidelines.

IA Reporting Relationships

Mr. Schwarz asked the Board if an Entity has a Governing Board and Executive Director;

1. To whom does the Internal Auditor report?
2. Should the Internal Auditor also report to the Board?

Chair Morgan cited the following:

Fiscal Control and Internal Auditing Act. (30 ILCS 10/2002)

Qualifications of chief internal auditor.

- a. *The chief executive officer of each designated State agency shall appoint a chief internal auditor with a bachelor's degree, who is either:*
 1. *a certified internal auditor by examination or a certified public accountant and who has at least 4 years of progressively responsible professional auditing experience; or*
 2. *an auditor with at least 5 years of progressively responsible professional auditing experience.*
- b. *The chief internal auditor shall report directly to the chief executive officer and shall have direct communications with the chief executive officer and the governing board, if applicable, in the exercise of auditing activities. All chief internal auditors and all full-time members of an internal audit staff shall be free of all operational duties.*

IIA Performance Standard 2600

Management's Acceptance of Risks

When the chief audit executive believes that senior management has accepted a level of residual risk that is unacceptable to the organization, the chief audit executive should discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive and senior management should report the matter to the board for resolution.

The Board's interpretation of the Standards is that the Governing Board is the highest level. Mr. Schwarz asked if this issue would be raised during the process of a Peer Review? The Board said that the reporting relationship would be addressed in a Peer Review.

SIAAB Adopted Motions Listing

Chair Morgan suggested that the Board update and make a chronical listing of the Board's motions. Chair Morgan will furnish the list to Ms. Easley to update.

Announcements:

No announcements.

Next Meeting:

The next meeting will be held on November 13, 2002, at 10:00 A.M. at the Capital City Center, 130 W. Mason, Springfield, Illinois, in Room 103.

Adjournment:

A motion to adjourn was made by Mr. Schwarz and seconded by Mr. Kirk. All were in favor. The meeting was adjourned at 11:08 A.M.