

STATE OF ILLINOIS
INTERNAL AUDIT ADVISORY BOARD

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MINUTES

Board Meeting October 13, 2004

A regular meeting of the State Internal Audit Advisory Board was held on October 13, 2004 at the Capital City Center, Springfield, Illinois. This meeting was called to order by Chair Rusti Cummings at 10:11 A.M

Members Present

Rusti Cummings, Chair - Office of the Comptroller
Barbara Ringler, Vice-Chair - Office of the Treasurer
Kathleen Moreno - Eastern Illinois University
Lesslie D. Morgan - Office of the Attorney General
John W. Cressman - Illinois Office of Internal Audit

Members Absent

Al DiSilvestro - IL Secretary of State

Minutes

The Board reviewed the minutes from the September 8th, 2004 meeting. A motion was made by Ms. Moreno and seconded by Ms. Ringler to accept the minutes. All approved the motion.

Old Business

CPE Coordinator – Certifications and Records

There were no certificates issued or updates to report.

Appointment – State College and Universities

Chair Cummings reported she has not received a decision regarding the letter sent to the Governor's Office of Boards and Commissions on December 17 submitting Ms. Kathleen Moreno of Eastern Illinois University and Mr. Richard Traver of the University of Illinois for consideration to fill the State College and Universities term appointment.

Mr. Cressman will try again to contact the Governor's Office for an update.

Fall Training December 2nd and 3rd

At the Auditor General's request, the committee agreed to open the conference to allow 4 or 5 individuals from that office to attend the first day session on general topics. The second day will be available only to Chief Internal Auditors or their designees. The subjects are specific to the internal audit standards, peer review, and roundtable discussions. Confirmation letters will be sent to the speakers and the participants to inform them of the specific times, speakers, and attendants.

There are 23 separate state internal audit departments currently. The first day is open to chiefs, audit managers, and one staff. The manager level is primarily anticipated from the Illinois Office of Internal Audit, U of I, and SIU. The Capital City Center can handle the additional participants as the lower level conference room can comfortably seat 80 to 125 with good overhead screen visibility.

At this time, registration for the training is relatively low (16 for the 1st day and 8 or 9 for the 2nd day). The Committee will send reminder email closer to the registration deadline of mid November.

New Business

Self Assessment Update

Ms. Moreno received an inquiry from Northern Illinois University about how they could get approval to perform a Self Assessment with Independent Validation similar to the University of Illinois. Ms. Cummings requested input from the Board regarding whether the Board should encourage state internal audit departments to pursue self assessments and, if so, should the Board establish a standard self assessment program to ensure uniformity.

Ms. Morgan indicated that she was aware of two models for performing a self assessment. These were the U of I methodology and the IIA's Quality Assessment Manual.

With regards to the U of I self assessment, Ms. Moreno and Ms. Ringler indicated that the electronic work papers were easy to follow and both the University's and independent validators' matrix provided a good cross-walk to the IIA standards and FCIAA. There was some concern about the Board's authority to share this model with other state internal audit departments. Also, a question was raised about what costs would be necessary to acquire software compatible with that used by U of I. Although it was not certain whether U of I's methodology incorporated the recommendations from the IIA manual, U of I's proposal had been modeled after the methodology used in Minnesota. In addition, one of U of I's independent validators was the current IIA Chairman, Ms. Betty McPhelimy.

A drawback to the IIA's manual is that it does not include any procedures to review compliance with the Fiscal Control and Internal Auditing Act. This could be resolved by utilizing the FCIAA section of the current peer review program. The manual's methodology would also require some tailoring to reflect standard changes which had occurred subsequent to its publication.

Ms. Morgan informed the Board that currently, the IIA allows the use of Self Assessment with Independent Validation (SAIV) to be used to comply with Standard 1312. The IIA's website for Quality Assessment – External Validation Reviews, indicates that the SAIV “may be used by any size organization but is primarily intended for small internal audit activities (less than five auditors)”. IIA's Practice Advisory 1312-2 – External Assessments Self Assessment with Independent Validation (released on May 25, 2004) now states in item #6 that “an internal audit activity should consider the self-assessment with independent validation as an interim measure and endeavor to obtain a full external assessment during subsequent periods”. Ms. Morgan indicated that the IIA' Practice Advisories are optional and are not mandatory. However, with the language included in IIA's PA, 1312-2 it is possible that in future years the use of SAIV's may not always be allowed as an alternative means of compliance with Standard 1312.

Ms. Moreno and Ms. Ringler will contact U of I to request if the SIAAB can obtain a copy of the table and tweak to fit the current IIA standards / SIAAB's needs, the software requirements needed for a self assessment similar to U of I's, and whether U of I's methodology utilized the IIA Quality Assessment Manual. This discussion will be continued at the November meeting so that a decision can be incorporated into the December training materials.

Performance Committee Structure

Ms. Cummings requested the Board's input on the current criteria for Performance Committee membership. The Board discussed the upcoming January 1, 2007 deadline, the limit of approximately 23 audit chiefs eligible under the current bylaws, and the various audit managers who possess the skills necessary to adequately perform the functions of the Performance Committee. Ms. Morgan made a motion that the board amend its Bylaws Article I, Section 4.2 – Performance committee that reads, “All members of the Performance Committee must be members of the Board or the Chief Internal Auditor of a State Audit Organization” to read: “all members of the Performance Committee must be members of the board or the Chief Internal Auditor or Audit Manager of a State Audit Organization”. Mr. Cressman seconded the motion and a vote was taken with all voting yes.

SAMS Procedure Chapter 2 and Chapter 2 Supplement

The IOC attorney reviewed these chapters and agreed that the Internal Control Guidelines should be updated. The update will incorporate some controls from Sarbanes Oxley literature, other state internal control checklists, and the financial statement internal

control checklist utilized by the Auditor General's Office.. This update will be available for use in performing the May 2005 internal control certification. This will be done in conjunction with Central Management Services (CMS) and the approval of the Legislative Audit Commission (LAC).

Announcements

Ms. Cummings announced that Carl Vogl had retired from the Illinois State Board of Education. Michelle Waltrip will be listed on the SIAAB website as the temporary contact for ISBE.

Schedule Next Meeting

The next meeting will be held on November 10, 2004 at the Capital City Center, 130 W. Mason, Springfield, Illinois in Room 103.

Adjournment

The meeting was adjourned at 12:10 A.M.