

STATE OF ILLINOIS INTERNAL AUDIT ADVISORY BOARD

Web Address: SIAAB.AUDITS.UILLINOIS.EDU

MINUTES

**Board Meeting, July 9, 2008
10:00 AM**

Call to Order

The regular meeting of the State Internal Audit Advisory Board (SIAAB) was held on July 9, 2008 at the Capital City Center, Springfield, Illinois, Room 104 with video conferencing available at the JRTC, Chicago, Illinois, Room 9035. Chair Rusti Cummings called the meeting to order at 10:07 a.m.

Roll Call

Members Present

- Rusti Cummings, Chair – Office of the Comptroller (In Person/CMS Video Conference Room #104 Capital City Center, Springfield)
- Lesslie Morgan, Office of the Attorney General (In Person/CMS Video Conference Room #104 Capital City Center, Springfield)
- Julie Zemaitis, University of Illinois (In Person/CMS Video Conference Room #104 Capital City Center, Springfield)
- Nancy Bowyer, Office of the Secretary of State (In Person/CMS Video Conference Room 9035, JRTC, Chicago)

Members Absent

- Carol Kraus, Vice-Chair – Governor's Office of Internal Audit
- Barbara Ringler – Office of the Treasurer

(Ms. Kraus and Ms. Ringler previously contacted Ms. Cummings to indicate they would not be able to attend this meeting.)

Guests

None

Minutes

The minutes of the June 26, 2008 board meeting were reviewed by all present. It was noted that the draft minutes needed the two clarifications: (1) an additional statement was added to distinguish between current and late quality assurance reviews and (2) a sentence was added to

correct the timing of Chicago State University's review. A motion to approve the minutes as revised was made by Ms. Morgan and seconded by Ms. Bowyer. The motion carried. Ms. Morgan suggested that future minutes should specifically state any changes that are made to the draft minutes.

Reports/Updates

CPE Coordinator – Online Peer Review Training Update

Ms. Morgan indicated that on June 27, 2008 access to the online course had been discontinued for one individual. This person had registered on March 7, 2008 and was contacted several times before discontinuing the access. There were no other registrants for the course at this time.

Board Committees – Quality Assessment Review Updates

Status of Quality Assessment Reviews –

Original quality assurance projects are in progress for Illinois Office of the Comptroller, Illinois Office of the Secretary of State, and Illinois Office of Internal Audit. The Illinois Office of Internal Audit quality assurance project is required by September 30, 2008 which is five years after this function was established on October 1, 2003. The other two projects are in excess of the five year requirement.

Illinois Office of Internal Audit submitted a revised request to change their quality assurance team to a CPA firm. Although there were concerns expressed about the project's short timetable. Ms. Morgan noted that a recommended quality assurance timetable was presented on the Board's website and was much longer than the requested timetable. However, she noted that the Board would try to process the report within the requested timeframe. Ms. Morgan motioned to conditionally approve the team. The two conditions were: (1) all team members (Ms. Butler, Ms. Kang, Ms. Aquino) must successfully complete the Board's online course and (2) Ms. Cummings would confirm that Ms. Butler's work with the Illinois Department of Transportation (IDOT) did not impair the firm's independence. Any IDOT work must have been completed prior to one year before the scope of the quality assurance or such work would impair the individual's independence. Ms. Zemaitis seconded and the motion carried.

Ms. Cummings provided an update regarding communications with Ms. Lazar for the Illinois Housing Development Authority quality assurance project and explained a computer problem which had occurred. The Board members decided Ms. Cummings should email Mr. Kazan and Ms. Lazar to explain the computer problems and to reiterate that the Board's conclusion was that Ms. Lazar possessed the necessary skills and had no independence impairments while it remains the agency's responsibility to determine how such services are procured. This subsequent review had been scheduled to be submitted in July but was delayed due to the Board's communications regarding the Illinois Office of Internal Audit' contract issue. A new timetable is unknown at this time according to Ms. Lazar.

With regards to the subsequent review for the State University Retirement System (SURS), Ms.

Cummings distributed Ms. Morgan's June 26, 2008 email regarding the General Accounting Office's Government Auditing Standards Section 3.07, footnote 22, and footnote 24. This indicates that "Auditors are not precluded from auditing pension plans that they participate in if (1) the auditor has no control over the investment strategy, benefits, or other management issues associated with the pension plan and (2) the auditor belongs to such pension plan as part of his/her employment with the audit organization, provide that the plan is normally offered to all employees in equivalent employment positions." Ms. Zemaitis confirmed that state university internal audit personnel would participate in the SURS by virtue of their employment with their respective university. It was decided that the Board should not be more stringent than these requirements. Therefore, a university internal auditor's independence would not be impaired by their membership in SURS. This subsequent review will be assigned to a performance committee member for review. In light of this standard, the Independence Form addendum will also be revised to remove whether an individual is a member in a retirement system.

With this newly identified GAS Section, the Board re-visited the Western Illinois University subsequent review and whether Ms. Moreno's independence would be impaired due to her employment with the State University Civil Service System during the past year. Ms. Zemaitis discussed SUCSS performs reviews of the universities' personnel functions. It was agreed that the GAS section did not change the decision that Ms. Moreno has an independence impairment for Western Illinois University's subsequent review due to her work with SUCSS within the past year. The one year measure reflects the consideration of the Institute of Internal Audit's Practice Advisory 1130.A1-1.

Governor's State University subsequent review had just been received and would be assigned to performance committee member after the addendum is revised and approved. The Board had not received requests for subsequent reviews from Eastern Illinois University, Illinois State Board of Education, State Employees Retirement System, and Northeastern Illinois University. Illinois Toll Highway Authority had not submitted a request for their original quality assurance.

Ms. Morgan and Ms. Cummings will work together in July to prepare a matrix to summarize all assignments related to the quality assurance process. This will be updated each month and presented to the Board. The Board members were also asked to reflect upon the first round of quality assurance reviews and consider whether any revisions were necessary to begin a second round. Ms. Zemaitis mentioned that University of Illinois would be prepared to submit a request for approval of their second quality assurance review. This is anticipated to be submitted in the near future.

Old Business

University Appointment –

Ms. Cummings reported that Ms. Zemaitis had been appointed to the State Internal Audit Advisory Board but the official appointment letter indicated "no expiration". The Fiscal Control and Internal Auditing Act states that the appointment terms are for three years. Ms. Cummings will discuss this with Ms. Kraus to determine how this can be resolved.

Fall Conference –

Ms. Cummings received a few topics from the State Internal Audit Managers Group. These and other possible topics and speaker options were discussed. The Capital City Center's large basement conference room is reserved for Monday and Tuesday, October 6 and 7, 2008 with October 1 and 2 as alternative dates based upon speaker availability. The menu selections will be made at a later date when the Capital City Center finalizes the catering services vendor contract. The Board's plan is to finalize speakers at the August 13th meeting, distribute the agenda by mid-August, and registration deadline September 19th (with a registration reminder on September 17th).

New Business

No new business was discussed.

Announcements

The next regular meeting will be August 13, 2008 – 10:00 a.m. at the Capital City Center's Video Conference Room #104, 130 West Mason, Springfield, Illinois. For those attending via video conference in Chicago, the JRTC Room 9035 has been reserved.

Adjournment

A motion to adjourn the Regular Session was made by Ms. Morgan and seconded by Ms. Zemaitis. Motion passed and meeting was adjourned at 12:48 pm.

Board Committee Meetings

Performance Committee – None.

Executive Committee – None.