

Internal Audit Advisory Board

MINUTES

2008 Fall Conference October 6, 2008 and October 7, 2008

October 6, 2008

Registration for the conference began at 8:00 am. Opening remarks were made by Ms. Rusti Cummings, SIAAB Chair at 8:30 am.

The first presenter was Ms. Carol A. Kraus from the Illinois Office of Internal Audit. Her presentation on Assessing the Severity of Identified Internal Control Deficiencies discussed a structured risk assessment, SAS 112 definition of internal controls, design versus operational deficiencies, and measurement of a deficiency's significance.

The second presenter was Mr. Spenser Staton from the Illinois Office of Internal Audit. Mr. Staton gave a presentation on Flowcharting which used examples to demonstrate the key controls within a procurement process. He also discussed suggestions for keeping flowcharts clear and concise.

The third presentation on State Accounting issues was conducted by Mr. John Donelan and Ms. Linda Seelbach from the Illinois Office of the Comptroller. Mr. Donelan discussed the agency's responsibility for locally held fund tax reporting, "file only" contracts submissions, and various other state accounting issues. He also discussed how the Comptroller's Office works with the Social Security Administration to match vendor tax identification numbers. Ms. Seelbach discussed the function of the Voucher Control unit of the Comptroller and problems they have recently noted with processing agency transactions.

After lunch, the fourth presentation was conducted by Mr. Matt Ciotti and Mr. Gregg Easterly from the Illinois Office of the Comptroller. They provided an overview of the SAMS warehouse structure, major changes made by the Comptroller's Office recently, and the various training available through his office.

The fifth presenter was Ms. Julie Zemaitis from the University of Illinois Internal Audit Chief. Ms. Zemaitis discussed uses of data mining for internal auditors. She noted that since many records are now stored electronically the computer may be used to identify records that indicate financial trends, non-compliance or even fraud. She also noted that the analytical programs can continuously monitor transactions and alert auditors to signs of trouble.

A round table discussion was then held to allow small groups to identify ways to use data mining to improve their audits. These small groups reported their ideas back to the full class.

The first day of the conference adjourned at 4:30 pm.

October 7, 2008

Registration for the second day of the conference began at 8:00 am. Opening remarks were made by Ms. Rusti Cummings, SIAAB Chair at 8:30 am.

The first presenter was Mr. Dominic Saebeler, Deputy General Counsel from the Illinois Department of Central Management. He was accompanied by Mr. Phillip Kaufman from the Department of Central Management Services. The subject was Electronic Discovery and Record Retention. This presentation discussed the importance of having a sound record retention policy which includes electronic media. He also emphasized the recent court decisions regarding e-mails and other communications that must be kept and how they should be destroyed.

The second presenter was Mr. Spenser Staton of the Illinois Office of Internal Audit. His presentation discussed how spreadsheets accumulate large volumes of data and are relied upon for complex analysis and financial statement preparation. These spread sheets can contain errors that can cause auditors and management to reach the wrong conclusions unless the spreadsheets are audited carefully. He also provided several examples of spreadsheet errors which had very large financial impacts on various corporations.

The final presenter was Ms. Carol Kraus, Chief Internal Auditor at the Illinois Office of Internal Audit. She discussed the Fiscal Control and Internal Auditing Act (FCIAA) and the results of her office's executive agency survey. She also discussed some weaknesses in the existing guidance and potential updates that are being considered to improve the guidance issued under the Act.

To conclude the conference, a roundtable was held to further discuss the guidance related to FCIAA internal control assessments, how agencies implemented their internal control assessments, and any suggestions or comments the participants had about changes to the assessment process.

The second day of the conference adjourned at 3:00 p.m.