

# STATE OF ILLINOIS INTERNAL AUDIT ADVISORY BOARD

Web Address: [HTTP://SIAAB.AUDITS.UILLINOIS.EDU](http://SIAAB.AUDITS.UILLINOIS.EDU)

## MINUTES

**Board Meeting, July 14, 2009  
10:00 AM**

### Call to Order

The regularly scheduled State Internal Audit Advisory Board (SIAAB) meeting for July 8 was rescheduled for July 14, 2009. The meeting was held in Room 618 of the Stratton Office Building, Springfield, Illinois with video conferencing available at the JRTC, Room 9035, Chicago, Illinois. The 10:00 a.m. start time was delayed due to a Board member in transit. Chair Carol Kraus called the meeting to order at 10:30 a.m. Per Ms. Kraus' request, Jewel Bishop, Illinois Office of Internal Audit attended and recorded the minutes.

### Roll Call

#### **Members Present**

Carol Kraus (Chair), Illinois Office of Internal Audit – Springfield  
Julie Zemaitis (Vice Chair), University of Illinois – Springfield  
Barb Ringler, Office of the Treasurer – Springfield  
Lesslie Morgan, Office of the Attorney General – Springfield  
Nancy Bowyer, Office of the Secretary of State – Chicago

#### **Members Absent**

Rusti Cummings, Office of the Comptroller

### Minutes

The minutes for the June 19, 2009 meeting were reviewed and revised as follows:

1. "CPE Coordinator" section, delete the first paragraph and replace with the following language: "Ms. Morgan reported that the on-line training course has been updated and was sent to Board members for their review on June 10, 2009. Upon Board approval, internal audit offices will be notified that the updated course is available. The on-line training needs to be finalized at the July meeting."
2. "Board Committees – Quality Assessment/Subsequent Review" section, 3<sup>rd</sup> paragraph, 3<sup>rd</sup> line: replace the word "felt" with "determined."
3. "Peer Review Process and Documentation" section, replace the entire paragraph with the following: "Ms. Morgan stated that the Quality Assurance Matrix (Matrix) was sent to Board Members for their review and comment on June 11, 2009. The Matrix needs to be finalized at the August meeting."

4. "SIAAB Fall Conference" section, proposed topics: add "Performance Measurements"

Ms. Zemaitis motioned to approve the minutes with changes. Ms. Bowyer seconded, and the motion carried.

### **Reports/Updates**

#### **CPE Coordinator – Online Peer Review Training Update**

Ms. Morgan asked for members' comments on their review of the updated on-line training course. Ms. Zemaitis stated she had taken the on-line training and discovered a possible glitch in the system. When taking the test, Ms. Zemaitis missed a question. When she re-took the test she noticed that new questions popped up. Ms. Zemaitis has reported the problem to Ed Mascorro and he is looking into it and will correct the problem. Ms. Zemaitis also stated that she had found some typographical errors and had given the list of corrections to Ed Mascorro to correct. Ms. Morgan asked Ms. Zemaitis to send her a list of the typographical corrections.

Ms. Morgan asked Board Members that have not yet taken the updated on-line training to please do so and send any comments to her so that the updated version can be finalized and made available for use.

The Board decided to keep the CPE hours for taking the on-line training at 4.

### **Board Committees:**

#### **Quality Assessment/Subsequent Review**

At the June Board meeting, the Board discussed whether or not to include a statement on a review stating that "This review was conducted using standards in effect during the review period." It was decided that Ms. Morgan would contact the Institute of Internal Auditors (IIA) for a clarification regarding the timing of conducting Quality Assessment Reviews under the new or old IIA Standards. Following is Ms. Morgan's email to the Institute of Internal Auditors dated June 25, 2009 and the response dated same:

"I am a member of the State of Illinois Internal Audit Advisory Board and have worked a great deal with agencies regarding their external quality assessments. At our June Board meeting a question was raised regarding what the IIA's position would be on these entities who are not in conformance with the Standards, because they failed to complete the first external quality assessment either by the January 1, 2007 date or as of this email. Should these entities continue these external quality assessments using the old standards, or would it be preferable to acknowledge non-conformance in the Internal Audit Report's Opinion and pursue completing the external quality assessment following the first year of the new IIA Standards (CY2010).

I would appreciate any guidance that you provide us on this, we plan a Board meeting on July 14, 2009 and I would like to provide this update to the Board members.”

IIA’s response:

“Good afternoon. Thank you for your inquiry. Per Standard 1312 an internal audit activity must have at least once every five years an external quality assessment (EQA). If one is not conducted then the IA activity cannot have in the charter nor in its reporting the phrase “conducted or conforms with Standards”. Once the IA activity does conduct an EQA, they are normally not penalized as part of the conformance rating on Standard 1312 because they conducted the review “late”.

If I understand the past part of your question correctly, the current Standards (IPPF released January 2009) should be in effect. If an IA activity chooses to wait until 2010 to conduct a EQA that was actually due in 2007, they are working not in conformance and must not use the phrase and should disclose. There is no option of using any other Standards, old or otherwise. I hope this is helpful. If I can answer any other questions or clarify, please feel free to contact me directly. Thank you.” Signed Tracy Darakjian, CIA, Manager, Quality, The Institute of Internal Auditors, Inc.

The Board discussed the IIA’s response and decided that whether or not a review is conducted under old or new standards would depend on the time frame under which the review is being done and should be decided on a case-by-case basis.

The Secretary of State’s Office and the Comptroller’s Office have not had a quality assessment review completed. A quality assessment review is underway for the Toll Highway Authority and a subsequent review is in process for the Housing Development Authority. The University of Illinois is in the process of completing their second quality assessment review. The State Employees Retirement System, Governor’s State University, Northeastern Illinois University, and the State Board of Education have not requested a subsequent review.

Ms. Zemaitis asked Ms. Morgan to provide her with a copy of the spreadsheet that summarizes all assignments related to the quality assessment process.

### **Bylaw Changes**

The Board discussed revisions that need to be made to the SIAAB Bylaws due to the changes in IIA Standards:

- Update the State Internal Audit Advisory Board’s Bylaws to reflect the motion approved at the December 10, 2008 Board meeting to adopt the changes to the Institute of Internal Auditor’s Standards which were effective January 1, 2009.

- Clean up references to “Peer Review” in the Board’s Bylaws and on the Board’s website.
- Ms. Morgan read from IIA Standard 1311, Practice Advisory #1, Item #8. “...At least annually, the Chief Audit Executive reports the results of internal audits, necessary action plans, and their successful implementation to senior management and the board.” The Board discussed the Practice Advisory and whether or not it should be interpreted that “self-assessments” are not mandatory.

It was noted that the Board had voted on this matter before. IIA Practice Advisory 2030-1: Resource Management, #7 called for “...At least annually, the CAE should present a detailed summary of status and adequacy of resources to the board.” At the November 2007 Board meeting the Board voted to table PA2030-1, Resource Management, #7 and the Board will not be adopting at this time.

The Board decided not to adopt the Institute of Internal Auditors’ Practice Advisory regarding conducting Internal Assessments on an annual basis. Instead language needs to be added to the Bylaws that the “Chief Audit Executive must have a process in place for internal and external quality assessment including a self-assessment that must be completed whenever there is a significant change in personnel or auditing standards occur.”

- Need to add section to the Bylaws for “Internal Assessments”. When doing self-assessment must use Board’s Matrix. (Audit Executive must have a process in place for internal and external quality assessment including a self-assessment that must be completed whenever a significant change in personnel or auditing standards occurs.)

Ms. Morgan motioned that the SIAAB Bylaws be amended to reflect the changes discussed above. Ms. Ringler seconded and the motion carried.

### **Performance Committee**

Ms. Kraus will do the review for the University of Illinois.

Ms. Zemaitis will do the review for the Housing Development Authority.

Ms. Ringler will do the review for the Toll Highway Authority.

### **Executive Committee**

There was no Executive Committee business at this time.

### **Old Business**

**Fiscal Control and Internal Auditing Guidelines** – Due to Ms. Cummings absence, this item was deferred to the August meeting.

## **SIAAB Fall Conference**

Proposed topics so far:

- Fraud Prevention and Detection (Carol Kraus – 50 minutes)
- New IIA Standards (Julie Zemaitis – 50 minutes)
- Performance Measures
- Overview of GASB Changes (50 minutes)
- ARRA
- GAAP
- Ethics
- New Procurement Code requirements
- Breakout sessions for Universities
  - Ethics (50 minutes)
  - LAC guidelines (50 minutes)

It was decided that holding the two-day conference at the Department of Natural Resources would not give enough room for participants and break-out sessions. A new location will be found and discussed at the August Board meeting.

## **New Business**

### **Single Audit**

The timeframe for Single Audits will be changed from 9 months to 6 months and extensions will no longer be given. Internal Audit will need to conduct follow-up to determine the Corrective Action Plan for agencies unable to meet this deadline. The lateness of the Single Audit reports can result in the Federal agency cutting off funding until receipt of the Single Audit.

## **Announcements**

The next regular meeting will be held August 12, 2009 – 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, Room 9035 of the JRTC has been reserved.

## **Adjournment**

A motion to adjourn the Regular Session was made by Ms. Morgan and seconded by Ms. Kraus. Motion passed and the meeting was adjourned at 12:00 noon.