

STATE OF ILLINOIS
INTERNAL AUDIT ADVISORY BOARD

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

MINUTES

Board Meeting- October 10, 2012

1:00 p.m.

CALL TO ORDER

The regularly scheduled meeting of the State Internal Audit Advisory Board (SIAAB) was held at the Capital City Center, Room 104, Springfield, Illinois, with video conferencing available at the JRTC, Room 9-036, Chicago, Illinois. The meeting was called to order at 1:03 p.m. by Stephen Kirk, Chair.

ROLL CALL

Members Present/Location:

Stephen Kirk, (Chair), Illinois Department of Transportation–Springfield
Nathan Lewis, representing Jane Cullen, Illinois Department on Aging-Springfield
Lesslie Morgan, Office of the Attorney General-Springfield
Tracy Allen, Office of the Comptroller – Springfield
Julie Zemaitis, University of Illinois – Springfield – arrived at 1:15 p.m.
Nick Barnard representing Barb Ringler, Office of the Treasurer- Springfield
Amy Walter, Central Management Services-Springfield
Marcus Dodd, Illinois Department of Employment Security-Chicago
Stell Mallios, Office of Secretary of State- Chicago

Members Absent

Doug Hathorn, (Vice Chair) Illinois Department of Revenue- Springfield-Absent

MINUTES

The September 12, 2012, meeting minutes were presented to the Board for discussion and approval. A motion was made by Mr. Barnard and seconded by Mr. Allen to accept the September 12, 2012 minutes. The motion carried unanimously.

REPORTS AND UPDATES

FOIA

Mr. Barnard reported that Ms. Ringler had received no FOIA requests.

BOARD APPOINTMENTS

The position formerly held by Lisa Labonte is still vacant. Ms. Walter stated the Governor's Office will correct the term for that position when it is filled. Ms. Walter also stated that she has contacted the Governor's Office to start the renewal process for board position terms, which will expire in 2013

Guidance Coordinator

Ms. Morgan asked if SIAAB should communicate a response to IEMA since the former Chief Internal Auditor had requested guidance. Chair Kirk noted it was the Chief Internal Auditor that requested guidance not IEMA management. In addition, the SIAAB members had agreed the response would be in the form of guidance made available on the website; not a question and answer format. The original requestor would be informed once the guidance is made available. Ms. Morgan asked what the SIAAB had done regarding her initial draft. Chair Kirk stated that SIAAB walked through her document and there was no strong disagreement with the points that were made; it was just agreed that the format should be changed to more of a white paper providing guidance and the points that were referenced. Ms. Walter noted that there was a question about the response to request #2 and Whistle Blower, Open Meetings Act and FOIA. Chair Kirk stated that the SIAAB would be working out those positions in the coming months and will issue them as separate guidance or white papers, which will be posted on the SIAAB website. Chair Kirk stated he would like to wait until Ms. Ringler, Ms. Cullen and Vice Chair Hathhorn were available for the discussion.

Training Conference Update

Chair Kirk stated that unfortunately, Vice Chair Hathhorn was not available to attend the meeting. Vice Chair Hathhorn informed Chair Kirk that he would like each SIAAB member to introduce the speakers they lined up. Furthermore, Vice Chair Hathhorn stated that there were 106 registered, but he expected several more to register. Mr. Allen stated that the deadline on the website to register is October 17.

Ms. Morgan noted an IIA Webinar regarding the changes to the Standards is scheduled for the same time as the SIAAB training event, Tuesday, October 23rd, at 8:00 p.m., and Wednesday morning, October 24th. Ms. Morgan sent a notice out to the Chief Internal Auditors notifying them and stated they could sign up to access the webinar at a later date as the IIA would have it available on line. Ms. Morgan provided the link to all of the Chief Internal Auditors in that notice so they could access an archive of the webinar.

Chair Kirk noted that it looked to him like the Standard changes were mainly minor wording changes. Ms. Morgan agreed and stated that the IIA has been looking at the Standards every two years.

CPE Coordinator

Ms. Zemaitis reported that 2 people had taken and passed the 2011 QAR Course since the last meeting and they were: Patricia Dixon CPE-Illinois Department of Employment Security, and Brent Nolen CPE-Illinois State Police.

Vice Chair Hathhorn and Ms. Walter took the revised QAR Course to see if there were any issues with the training program after its migration to the new server. Ms. Zemaitis thanked them both for volunteering to test the training program. Ms. Zemaitis noted that they both earned CPE for completing the course and were issued certificates. Neither of them noted any technical issues but there was a suggestion to have a direct link provided for each section of the quiz and Ms. Zemaitis stated that they are looking into the possibility of making a change.

Mr. Allen stated that he was planning on taking the training program course but that he had technical issues with pop-up blockers and he is working with his security person to resolve those issues so he can take the examination. Ms. Ringler had previously stated that she planned to take the training program course and that she would provide any feedback. However, Ms. Zemaitis said since she received feedback from others who had taken the course for CPE, it was not necessary unless Ms. Ringler wanted to take the course for her own benefit.

Ms. Morgan noted that once the IIA Standards go into effect January 2013 and if SIAAB adopts those changes, there will be required changes to the training program. Chair Kirk asked about whether the people who passed the most recent version of the training would have to take it again, since there were only minor wording changes being made. Ms. Morgan stated that the previous policy was that a person would have to take the course again if there were any changes. Chair Kirk stated that he believed SIAAB should discuss whether retaking the course was warranted with these changes. Ms. Zemaitis noted that the changes would cause certain lessons and questions to be changed, but she agreed most of the changes would be minor.

Mr. Dodd asked if SIAAB could prepare a summary of the IIA Standard changes for issuance to all of the Chief Internal Auditors. He noted that this was done at a previous SIAAB Annual Conference and presented by Ms. Morgan. Mr. Dodd stated that the deconsolidated audit shops will have their Quality Assurance Reviews due in 2015. He suggested having something for them to reference since we are about 9 months prior to the beginning of the two year period covered by the review for the deconsolidated agencies. It would be helpful to those shops in preparation of their review. Ms. Morgan noted that the IIA has some things listed on their website and that might be a possible information source for Chief Internal Auditors.

Quality Assurance Reviews – Current Reviews and Request

Chair Kirk stated he would be following up with Vice Chair Hathhorn regarding the current QARS. He stated he believes that Western Illinois University and the Comptroller are still outstanding and waiting a review by a Special Assistant Coordinator of SIAAB. Chair Kirk stated that part of the problem was the

lack of people to act as a Special Assistant Coordinator and Vice Chair Hathhorn was trying to line-up some reviewers. Chair Kirk noted that the Independent reviewer list is getting low, he believed it was down to 3 people who had taken the correct version of the QAR Training and therefore, we need to obtain more volunteers. Chair Kirk asked about who was placed on that list previously. Ms. Morgan stated that to be eligible the person not only needed to take and pass the QAR Training, but they also needed to have the experience, which was generally someone who was a Chief Internal Auditor or Manager. The request to be added to the list was brought before the SIAAB for a vote. Chair Kirk will ask Vice Chair Hathhorn to look over the list and bring it to the next SIAAB meeting.

External Quality Assurance Reviews Due CY12:

- **Illinois Office of the Comptroller**- Currently with Vice Chair Hathhorn for review by a Special Assistant.
- **Western Illinois University**- Currently with Vice Chair Hathhorn for review by a Special Assistant.

Illinois State Board of Education

Chair Kirk stated that he had a request from ISBE for approval of Brent Nolen as their QAR independent validator. Chair Kirk stated that Ms. Cullen raised a question to him as to whether SIAAB required validators be certified since they are assessing the IIA Standards. Ms. Morgan stated that has never been a requirement. In the case of Mr. Nolen, he has done Special Assistant Reviews for the SIAAB in the past and has done a very good job. She noted he has government auditing experience and she does not see anything in his resume that would not qualify him. Chair Kirk noted that Mr. Nolen also was manager over the QAR function at the Illinois Office of Internal Audit, was an Internal Audit Manager at the Illinois Office of Internal Audit and a Chief Internal Auditor for State Police prior to the consolidation and after the deconsolidation. Therefore, based upon his tenure and experience, it was his position that Mr. Nolen met the requirements. Ms. Morgan stated she agreed. Mr. Dodd stated that he believed if anyone was deemed qualified to be a Chief Internal Auditor they should qualify as a reviewer. Mr. Dodd stated that the real question is what experience is SIAAB looking for and can you have reviewers that are not Chief Internal Auditors. Ms. Morgan stated that those who have been Chief Internal Auditors bring a valuable perspective because they have been in that position. Mr. Dodd stated that an auditor with years of experience can look at management as part of an Internal Audit now so why would they not qualify to be a reviewer. Ms. Morgan noted that they may not have a full understanding of the standards such as, Risk Assessment and other management areas vs. assignments they have had in the past.

Ms. Zemaitis mentioned a timeline issue. A motion was made by Mr. Barnard, pending timeline clarification to approve Brent Nolen as the QAR Reviewer of ISBE, which was seconded by Ms.

Morgan. Chair Kirk stated that because he was friends with Mr. Nolen he would abstain from voting. The motion carried 8-0 with one abstention.

Mr. Dodd stated that the ISBE QAR review should begin in November if possible.

Financial Reporting Standards Act of 2012

Chair Kirk stated that at the Chief's Round Table, part of the discussion would be what the Chief's believed should be included in an audit of the Generally Accepted Accounting Principles (GAAP) package process. Mr. Allen stated that Ms. Madonia of his office will also be there to discuss Web-based Electronic Data Gathering Environment (WEDGE) and the GAAP process. Ms. Morgan stated that the Financial Reporting Standards Board still needs to be appointed and then have rules put in place. These will cover the specific reporting requirements.

Ms. Morgan stated that it may not be until next fall when things are in place. Chair Kirk noted that any Internal Audit shop could still conduct an audit of the GAAP process and several planned to do so. If additional requirements are brought up by the Financial Reporting Standards Board they can be added later.

Mr. Allen stated he agreed, but the Financial Reporting Standards Board had not yet been appointed as far as what the Board expects; that will have to come later.

Ms. Zemaitis said she plans to perform a process review in the Spring. Chair Kirk stated that he planned to do the same at the Department of Transportation.

Chair Kirk stated that it would be helpful to discuss this among the Chief Internal Auditors to come up with the best areas to be included in an audit. Ms. Walter said the real unknown is what will be required to be reported to the Financial Reporting Standards Board; maybe we should suggest some elements. Mr. Allen stated it might be helpful to suggest some elements.

Ms. Walter stated a lot of the focus is on the GAAP Coordinator. Mr. Allen stated he agreed that the GAAP Coordinator, their experience and whether the agency is shared services would all be critical. She believed it was more about the GAAP process than duplicating the detailed testing of the external auditors. Therefore, it looks like Internal Audit will be looking back at the previous year and the process that was followed. Chair Kirk stated he agreed because the Act stated that the report would be due 1 year after the filing.

Ms. Morgan stated that she believed if the agency had no GAAP findings they would be a lower risk. Mr. Allen stated that another question that remains is whether it will be based upon what funds the agency is responsible for; maybe some agencies would be excluded from reporting. Look at Section 20(a).

Mr. Dodd stated that he believed SIAAB should look at issuing some guidance once the Financial Reporting Standards Board is appointed.

Mr. Allen stated that the Comptroller's Office is looking now at appointing its members to the Financial Reporting Standards Board. Since the Financial Reporting Standards Board is not in place yet, there is no ability to discuss their requirements and rules for reporting but he agreed we could discuss GAAP, WEDGE and related questions. Ms. Morgan asked if the speaker from the Comptroller's Office will be giving specific GAAP issues. Mr. Allen stated yes, but they will be broad issues that cross various agencies. Ms. Morgan stated that knowing common mistakes would be helpful. Mr. Allen stated he would let Ms. Madonia know.

Chair Kirk noted that he had shared the GAAP audit program and information he obtained from Ms. Walter with the Chief Internal Auditors. This will be discussed at the Chief Internal Auditor Round Table.

Review of SIAAB Business Responsibilities SIAAB 2012 Project

Chair Kirk noted that he had been sent four comments received by SIAAB regarding the QAR responsibilities. Chair Kirk stated that he planned to look at this as a Board once everything was collected. Mr. Dodd stated he agreed after the Round Table discussion would be a better time so the SIAAB members can take into account the feedback from the Round Table.

Ms. Zemaitis provided the following synopsis regarding the four comments received so far regarding the QAR process:

1. The Board should not release reports or express opinions.
2. What is expected of the follow-up of QAR findings.
3. Independence structure, who can or cannot be part of QAR team, what SIAAB has may go beyond what IIA requires.
4. The QAR process is fine as it is and they liked the current training course.

Ms. Zemaitis stated that she would have Eduardo Mascorro send a reminder to all of the Chief Internal Auditors to respond to the survey.

Chair Kirk stated that the following could be discussed at the next meeting on November 14, 2012:

- Discussion of SIAAB responsibilities including a review of what is brought up at the conference Round Table.
- Guidance discussion and plans for the White Papers or Guidance documents.

Ms. Morgan suggested that at the conference we discuss the following:

- New IIA Standards will be looked at with SIAAB and should officially adopt them. Ms. Morgan provided a link to the IIA website.

- Ask at Round Table if any internal auditors are having difficulty preparing job duties, staffs, budget, etc.
- Any common external audit issues and how they are being addressed.
- Statewide Accounting System.

Chair Kirk stated he also included a discussion of FCIAA and whether anyone believed any changes would be necessary. He also stated that he will make sure the discussion does not get bogged down and keep things moving along. Hopefully, everyone will respect and abide by that policy so we can get more accomplished at the Round Table.

Chair Kirk stated that the primary topics will probably take up most of the time and those are as follows:

- SIAAB Responsibilities
- Financial Reporting Standards Board
- FCIAA

ANNOUNCEMENTS

The next regular meeting will be November 14, 2012 at 1:00 p.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 9-036 of the JRTC has been reserved.

ADJOURNMENT

Motion made by Ms. Walter to adjourn the meeting.

Second: Mr. Dodd

Vote was unanimous, motion passed and the meeting was adjourned at 2:48 p.m.