

STATE OF ILLINOIS
INTERNAL AUDIT ADVISORY BOARD

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

MINUTES

Board Meeting- July 11, 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 2-201, Chicago, Illinois. The meeting was called to order at 1:09 p.m. by Stephen Kirk, Chair.

ROLL CALL

Members Present/Location

Stephen Kirk, (Chair), Illinois Department of Transportation–Springfield
Doug Hathhorn, (Vice Chair) Illinois Department of Revenue- Springfield
Amy Walter, Central Management Services-Springfield
Jane Cullen, Illinois Department on Aging-Springfield
Tracy Allen, Office of the Comptroller – Springfield
Julie Zemaitis, University of Illinois – Springfield
Marcus Dodd, Illinois Department of Employment Security-Chicago

Members Absent

Nancy Bowyer, Office of the Secretary of State
Barb Ringler, Office of the Treasurer
Lesslie Morgan, Office of the Attorney General

MINUTES

The June 13, 2012, meeting minutes were presented to the Board for discussion and approval. A minor typographical correction was proposed by Ms. Cullen and accepted by the Board. A motion was made by Ms. Zemaitis and seconded by Mr. Dodd to accept the June 13, 2012 minutes as amended. The motion carried unanimously.

REPORTS AND UPDATES

CPE Coordinator – Due to the resignation of Ms. LaBonte Chair Kirk has filled in as the CPE Coordinator until a new one is elected. Chair Kirk reported that since the previous meeting, 5 people had taken and passed the QAR course Staceyann Cabey-Kaufmann, Joseph Dillon, Alex Zavin and Jerry

Nimmons all of IDOT and Danielle Shultz of Northern Illinois University had passed the 2011 version of the SIAAB External Quality Assurance Review Training Course and been issued a training certificate. The following people are pending completion of the training course: Adrienne Burt, Illinois Department of Employment Security.

Quality Assurance Reviews – Current Reviews and Requests–

Chair Kirk provided an update.

External Quality Assurance Reviews Due CY12:

- **Illinois Office of the Comptroller-**

Waiting for approved QAR independent validator Brett Finley to take and pass QAR course.

- **Illinois State Board of Education-** No Change in Status. No official Request for Team Approval Received – EQA Completion Due March 2, 2012 has been submitted, Ms. Oller has communicated that she plans on submitting a request within the next two months. Chair Kirk reported at a previous meeting that he received a telephone call from Ms. Oller and answered questions about the process and the selection of the independent validator. Ms. Oller indicated she would be requesting someone as an independent validator soon.

- **Western Illinois University-** Chair Kirk presented the request by Western Illinois University to have their independent validator be Danielle Schultz. Danielle passed the SIAAB QAR course as stated above.

Motion to approve the request from Western Illinois University for their QAR with Danielle Schultz of Northern Illinois University as the Independent Validator: Ms. Cullen

Second: Mr. Allen

Motion carried unanimously

FOIA Officer –

Chair Kirk noted that Ms. Ringler had requested that he report there had been no FOIA requests.

Guidance Coordinator–

Ms. Morgan was not present to report. However, Chair Kirk called for discussion on the request for standards interpretation received by SIAAB from Staci Crane, Chief Internal Auditor for the Illinois Emergency Management Agency (IEMA). The SIAAB members discussed the approach to the process for providing guidance since this would be the first one handled under the new process passed last year as an amendment to the SIAAB By-Laws. Mr. Dodd stated that the framework should always include reference to the IIA or other Standard. Ms. Zemaitis stated that she agrees but that government is different than private so sometimes clarification is required to show how they are applied in the government environment. Ms. Walter stated that SIAAB should look at the overall guidance that is available, select the appropriate standards; and then apply it to the individual area. It was agreed that although the content of the guidance would be drafted to address the questions that were raised, the guidance itself would not be a question and answer format but written guidance similar to a white paper.

IIA Standard 1110A.1- A specific question was raised as to whether the board members believed it was possible to have an Audit Committee if the government entity is an agency rather than a board or commission. Vice-Chair Hathhorn stated that he believes FCIAA provides no basis for an Audit Committee and unless it is comprised of members from the Governor's Office it would be difficult to form an independent Audit Committee. You can't have it comprised of agency management because that would impair the Chief Internal Auditor's independence.

IIA Standard 1130A.2- Vice-Chair Hathhorn noted that he did not believe the standard mentioned matched the question that was asked. The standard applies to a situation where the Chief Internal Auditor had some responsibility for a process that was to be audited and the requirement that they would have to have an audit of that area overseen by someone else. Ms. Walter noted that if there is only one person and that is the Chief Internal Auditor, then the expectation would be a self review utilizing a checklist. You would not have an outside party or non-auditor review the work of a Chief Internal Auditor.

IIA Standard 2330A.1- Vice-Chair Hathhorn noted that requests from the Office of the Inspector General for Internal Audit records should be coordinated with the agency Ethics Officer. Legal Counsel should also be involved in the release of Internal Audit records to external parties.

There was a general discussion about the importance of the Internal Audit Charter in ensuring the appropriate authority has been granted to the Internal Audit function in order for them to be able to perform their work. The SIAAB should encourage a strong Internal Audit Charter. The Internal Audit Charter should include adherence to IIA Standards and applicable State laws and rules; and complete access to agency personnel and records.

Vice-Chair Hathhorn agreed to work with Ms. Morgan to help develop something for discussion at the next SIAAB meeting.

Board Appointments–

Ms. Walter stated no change in appointment status.

Election of new CPE Coordinator

Chair Kirk called for nominations for the CPE Coordinator position. Ms. Zemaitis volunteered for the role. Vice-Chair Hathhorn motioned to nominate Ms. Zemaitis, seconded by Ms. Cullen. There were 6 members voting yes and Ms. Zemaitis abstained so the motion carried. Ms. Zemaitis is the new CPE Coordinator effective immediately.

SIAAB 2012 Training–

Vice-Chair Hathhorn stated the conference has been set for October 24th and 25th at the Northfield Center in Springfield. Ms. Zemaitis noted that the University of Illinois has an on-line web based tool for

registration that SIAAB could utilize. Ms. Walter noted that the IIA also has an on-line web based registration tool. Chair Kirk stated that it may be better to utilize the University of Illinois tool since it is for SIAAB. Vice-Chair Hathhorn noted that he was still trying to make confirm various speakers for the conference, including waiting to hear from the Auditor General's Office. He stated that the Comptroller's Office had agreed to fill 2 hours and Steve Valassic of the Comptroller's Office will be providing the speakers. Mr. Allen confirmed that and stated the Comptroller would provide two presentations:

1. GAAP
2. Accounting Bulletins and Legislative Update (Should include a discussion of the new Financial Reporting Standards Act of 2012 if it is signed by the Governor).

Vice-Chair Hathhorn stated that he will be providing the members with a draft agenda that he will e-mail to the SIAAB. Chair Kirk stated that SIAAB should try to finalize the agenda by August.

Executive Ethics Commission Rules

Chair Kirk stated that he had contacted Executive Director of the Ethics Commission Chad Fornoff for an update concerning their rules that affect the removal of Chief Internal Auditors for cause. Executive Director Fornoff had stated that Chair Kirk should receive the response in the mail to SIAAB's comments. Chair Kirk noted that in fact that response was received and provided to the SIAAB prior to the meeting. A brief discussion was held concerning the response and it was noted that there were several issues that remained to be discussed to provide further clarification or possible changes to the rules. Executive Director Fornoff agreed to come to the next SIAAB meeting on August 8 and meet with the board.

Financial Reporting Standards Act of 2012

The bill is on the Governor's desk awaiting his decision. It was discussed that if it is signed into law, the topic should be included in the Fall Training. SIAAB should also work with a group to help formulate a standard approach to meeting the requirements in regards to an Internal Audit of the GAAP Process. It was further noted that working on a standard approach to this audit would be a good idea even if the bill is not signed into law because of its importance to every agency.

By-Law Amendment Request from Northern Illinois University

A discussion was held about amending the By-Laws to recognize CPE for self study for a CIA or CPA designation if the party passes the examination and is issued certification. Vice-Chair Hathhorn stated that he had drafted a proposal earlier and would provide it for a vote at the next meeting. Chair Kirk stated that he assumed the recognition could not be applied retroactively.

SIAAB 2012 Projects –

Chair Kirk stated since it was getting late in the day and some members were unable to attend the meeting but he wanted to briefly frame the QAR role for discussion at the next meeting. Chair Kirk stated that he would like to note where there is concurrence on SIAAB QAR responsibilities, where there is uncertainty and if any members believe there is a role in QAR SIAAB currently provides but they should not or a role in QAR the SIAAB currently does not provide but a member believes they should, including why they believe that. Mr. Dodd noted that he believed it was very important to have Ms. Morgan in attendance so the historical perspective could be provided since she has been heavily involved in the process. Chair Kirk noted the following points that had been provided through previous discussion:

1. SIAAB should continue its role in training, including the on-line QAR course;
2. SIAAB should continue to approve the QAR independent reviewer selected by the applicable Chief Internal Auditor;
3. SIAAB should continue to provide the framework for the review such as the matrix, in order to ensure the reviews are consistent across all government bodies;
4. SIAAB should work with parties to resolve disputes and provide applicable interpretations and clarification of the standards;
5. SIAAB should track whose QAR is due and whether a QAR was issued;
6. SIAAB should notify the government body if their QAR is past due.

A brief discussion was held regarding the current process. It was noted that the head of QAR is the Chair and the reviews are coordinated by the Vice-Chair. The current process requires the SIAAB to assign a reviewer to review the matrix and report prepared by the QAR Reviewer or QAR self assessment with independent validator. Then that paperwork is reviewed by the Vice-Chair who works with the parties to resolve any issues. This may include discussions with the Chair. Once that is resolved, the Chair makes a recommendation to the SIAAB on which the board members vote to accept or reject the report. If it is rejected the Vice-Chair or Chair works with the parties on the issues so it may be resolved and brought back before the board. If it is approved, the Chair issues the report to the agency head.

Ms. Cullen stated that she did not believe the SIAAB should issue anyone's QAR report because that is the responsibility of each Chief Internal Auditor. Several members noted their concurrence. Chair Kirk stated that all pros and cons of the process will be discussed at the next meeting.

Ms. Cullen stated she would work with SIAAB members to prepare a draft of the current QAR responsibilities of SIAAB for discussion at the next meeting. Chair Kirk stated that Ms. Cullen should make sure she reaches out to those who have served in the Chair and Vice-Chair capacity in order to gain an understanding of the process. Those current members who have held those positions are Lesslie Morgan, Julie Zemaitis, Barb Ringler and Chair Kirk.

ANNOUNCEMENTS

The next regular meeting will be August 8, 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 2-201 of the JRTC has been reserved.

ADJOURNMENT

Motion made by Ms. Zemaitis to adjourn the meeting.

Second: Mr. Dodd

Motion carried unanimously and the meeting was adjourned at 2:57 p.m.