

STATE OF ILLINOIS
INTERNAL AUDIT ADVISORY BOARD

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

MINUTES

Board Meeting- August 8, 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 1:07 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
Jane Cullen, Illinois Department on Aging-Springfield
Tracy Allen, Office of the Comptroller – Springfield
Julie Zemaitis, University of Illinois – Springfield
Nick Barnard representing Barb Ringler, Office of the Treasurer- Springfield
Lesslie Morgan, Office of the Attorney General-Springfield
Marcus Dodd, Illinois Department of Employment Security-Chicago
Amy Walter, Central Management Services-via telephone

Members Absent

Nancy Bowyer, Office of the Secretary of State (It was noted that Ms. Boyer may no longer be Chief Internal Auditor for the Office of the Secretary of State. Chair Kirk stated that he had not been notified of any change).

MINUTES

The July 11, 2012, meeting minutes were presented to the Board for discussion and approval. A motion was made by Ms. Zemaitis and seconded by Mr. Allen to accept the July 11, 2012 minutes as amended. The motion carried unanimously.

New Business

Presentation by guest, Mr. Chad Fornoff, Executive Director of the Executive Ethics Commission **Re: Executive Ethics Commission Rules**

Chair Kirk announced that out of respect for the Board's guest Mr. Chad Fornoff, Executive Director of the Executive Ethics Commission (EEC), he was moving Mr. Fornoff's presentation to the Board up as the first item on the agenda. Chair Kirk welcomed Mr. Fornoff and thanked him for appearing before the Board. Mr. Fornoff agreed to come and speak to the Board regarding the pending rules of the Executive Ethics Commission that pertained to the removal of a Chief Internal Auditor for "cause".

Mr. Fornoff provided a handout to the Board which included the relevant statutory language from the Fiscal Control and Internal Auditing Act (FCIAA) as well as a section of the draft of the proposed rules and some references to related Illinois cases. Mr. Fornoff stated that part of the struggle in crafting the rules was that the relevant FCIAA statute is written in the passive voice. The other problem is that the Chief Internal Auditors are not employees of the EEC so there are limitations to their authority. Mr. Fornoff stated that the responsibility of the EEC is to ensure that the Chief Internal Auditor has a fair and unbiased hearing. Another problem with FCIAA is that it does not state what kind of hearing that should be. There are various kinds of hearings such as a legislative hearing where they are taking information only and there are no findings of fact or conclusions of law. The type of hearing referred to here is believed to be a judicial hearing, where a complaint is filed by the Attorney General and the Chief Internal Auditor would be notified of the charges and have a right to object to those charges. The Chief Internal Auditor would be entitled to a full hearing where rules of evidence would apply and testimony is taken. The hearing would be held to determine whether or not there was "cause for removal". Mr. Fornoff stated that based upon concerns brought to his attention by the Board, he was amending Section 1620.1430 c) 4) of the proposed rules to state, "For Chief Internal Auditors, as to whether the Commission finds cause for removal of the respondent." Mr. Fornoff stated that the JCAR meeting to review these rules was scheduled for August 14, 2012.

Mr. Dodd asked if the process begins when the Chief Internal Auditor receives a notice and is required to respond within 15 days. Mr. Fornoff stated that the head of the agency must first bring "cause" to the Attorney General. The Attorney General reviews the facts and evidence presented to them and decide whether there is "cause" to proceed or not.

Ms. Zemaitis stated that she believed the intent of FCIAA was to preserve the independence of the Chief Internal Auditor. Therefore, the facts would be judged by an independent body through an objective assessment. This provides some measure of protection to the Chief Internal Auditors from retaliation from someone who just doesn't like what the Internal Auditors have found as opposed to an actual "cause". This is important to Chief Internal Auditors because retaining our independence is critical to our work being unbiased. "How does FCIAA and the related rules protect the role and freedom of the Chief Internal Auditor to perform their job duties and exercise their judgment without fear of retaliation?"

Mr. Fornoff stated that is done through the process that has been proposed. The first hurdle an Agency must overcome is convincing the Attorney General that there is enough evidence to support “cause” for removal. The Attorney General will base their decision upon the facts that are presented. If the Attorney General finds no grounds for “cause” then the matter ends there. If they find “cause” to proceed, then there is the formal hearing process before the EEC where they will ultimately reach a determination with findings of fact and conclusions of law as to whether there is “cause” or not and then inform the Agency of that decision.

Chair Kirk asked, “What happens if an Agency does not follow the process but elects to remove a Chief Internal Auditor?”

Mr. Fornoff stated that if the EEC is informed that an Agency acted outside the process and removed a Chief Internal Auditor without following the established framework, his office would notify the Agency that they had not followed the requirements under the law and he would also notify the Inspector General’s Office. Mr. Fornoff stated that the EEC does not have investigative powers because he can’t prejudge a case because he is the Administrative Law Judge for the hearings. Mr. Fornoff stated that unfortunately, if that happens the Chief Internal Auditor may have to initiate their own private action. This might include seeking a writ of mandamus which would order that the case be heard.

Amy Walter asked, “Is this process only during the 5 year term of the Chief Internal Auditor or does it also apply after the 5 year term has expired?”

Mr. Fornoff stated that based upon FCIAA it appears that the Agency has full discretion after the 5 year term has expired to remove a Chief Internal Auditor without any “cause” or reason. This applies strictly to the time during which the Chief Internal Auditor is under their appointment.

Chair Kirk asked, “If the Attorney General finds no basis of “cause” but the Agency proceeds with removing a Chief Internal Auditor anyway, what would the EEC do? Is the decision binding on the Agency?”

Mr. Fornoff stated should that happen it is probably a matter for the courts to address. He believes the EEC’s responsibility is to make a determination as to whether there is “cause” for removal or not.

Ms. Cullen asked, “What constitutes an appointment of a Chief Internal Auditor? Is there a difference between those that were already in Chief Internal Auditor positions prior to the effective date of the FCIAA amendment? If the Chief Internal Auditor did not receive notice in writing that they had a 5 year appointment but were just hired, does the 5 year term still apply?”

Mr. Fornoff stated that those Chief Internal Auditors that were at CMS and brought back in should have received an appointment with an effective date of July 1, 2010. Mr. Fornoff was not sure how that applied

to the other Constitutional Officers that might require an opinion from the Attorney General. It is clear that if a Chief Internal Auditor is replaced during that 5 year term, the replacement fulfills the remainder of that term rather than receiving their own 5 year term. Mr. Fornoff stated that he would assume the Governor's Office should have been informed of who was appointed as a Chief Internal Auditor, when they were appointed and the term to which they are entitled.

Ms. Morgan asked that it be noted for the record that during this portion of the meeting she was an observer and was recusing herself from any comments during the discussion because of her position as Chief Internal Auditor for the Attorney General.

The Board thanked Mr. Fornoff for his attendance at the meeting and Chair Kirk noted that this was a public meeting so Mr. Fornoff was welcome to stay. Mr. Fornoff stated that he would unfortunately need to leave as he had other matters he needed to attend to but that should the Board have any additional questions he would be happy to address them. Mr. Fornoff then left the Board meeting.

REPORTS AND UPDATES

CPE Coordinator –

Ms. Zemaitis reported that 1 person had taken and passed the 2011 QAR Course since the last meeting and that was Mr. Brett Finley. Mr. Finley passed on August 3, 2012. One person Adreinne Burt from Employment Security was pending and asked for and was given an extension until August 13, 2012 to take the QAR Course.

Quality Assurance Reviews – Current Reviews and Requests–

Chair Kirk provided an update.

External Quality Assurance Reviews Due CY12:

- **Illinois Office of the Comptroller-**

Chair Kirk noted that the Board previously approved the Comptroller's Self Evaluation with Independent Validation subject to Mr. Finley passing the QAR Course. Now that Mr. Finley passed the QAR course he would provide the written approval to Mr. Allen pursuant to the Board's previous decision.

- **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. Mr. Kirk stated that he would contact Ms. Oller to obtain an update regarding her plan of action.

Mr. Allen stated that he had contacted the IIA and asked if an organization had not had a QAR in 7 years but there had been a change in Chief Internal Auditors could they still receive a “generally conforms” if all other areas during the current review were acceptable. The IIA stated that they could. However, if the same Chief Internal Auditor was there during the 5 year period and had still not had a QAR they could only receive a “partially conforms.”

FOIA Officer –

Mr. Barnard reported that Ms. Ringler had requested that he report there had been no FOIA requests. He also noted that Ms. Ringler indicated that several Board members had not provided their confidentiality and independence statements yet and she requested they be provided as soon as possible.

Guidance Coordinator–

Ms. Morgan stated that based upon her reading of the request for interpretation from Staci Crane, Chief Internal Auditor for the Illinois Emergency Management Agency (IEMA) there was a total of 29 questions before SIAAB. Ms. Morgan stated she will provide a draft for review and discussion by SIAAB at the next meeting. Chair Kirk noted that the Board had stated at the last meeting 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. Ms. Morgan stated that she would just provide the information for discussion and the Board could decide how it should be presented.

Board Appointments–

Ms. Walter stated no change in appointment status, still waiting approval from the Governor’s Office.

SIAAB 2012 Training–

Vice-Chair Hathhorn stated the conference has been set for October 24th and 25th at the Northfield Center in Springfield and that he has figured the cost at around \$56.50 per person. This is based upon an estimated attendance of 120 auditors at a cost of just under \$7,000. Vice-Chair Hathhorn noted that Northfield guaranteed bigger rooms for this year as well as a bigger breakout rooms. The only speaker costs that will be incurred is some travel, which includes hotel and mileage for a couple of speakers coming from out of town. Most of the speakers are not traveling but are based in Springfield and are speaking at no cost.

Vice-Chair Hathhorn stated that the Auditor General had declined the Board’s invitation to speak at this year’s conference. Chair Kirk stated that he had spoken with Bruce Bullard and he said Auditor General Holland sent his regrets but due to staffing shortages and workload the Auditor General’s Office would not be able to be present this year but that they would like to send staff to the training and would look forward to next year. Chair Kirk stated that he would pass those regrets along to the Board.

Chair Kirk noted that he also had an invitation out to the Inspector General to speak again at this year’s conference as he was well receive last year and many found his presentation very informative.

Chair Kirk stated that he believed the main topic for the roundtable should be Senate Bill 3794 and the development of a uniform audit program.

Vice-Chair Hathhorn noted that Mr. Steve Minder has agreed to provide the presentation to the Internal Auditors for their breakout session. Mr. Minder is an information technology auditor who retired from ADM and now has his own consulting business. Vice-Chair Hathhorn noted that information technology was the third most requested topic from the comments received from last year's conference.

Vice-Chair Hathhorn noted that all other speakers have been confirmed and he will begin working with Eduardo Mascorro to create the brochure. The next step is to finalize and publish the brochure as soon as possible.

Ms. Zemaitis recommended that the Board finalize everything and decide about the actual cost. She recommended the Board take down the existing balance with the IIA to around \$1,000 from the \$2,000 balance.

Motion: Ms. Morgan, Second: Ms. Zemaitis

“Approve conference schedule as presented by Vice-Chair Hathhorn at a price of \$55 per person and thank Vice-Chair Hathhorn for all of his hard work.”

Motion carried unanimously.

By-Law Amendment Request from Northern Illinois University

A discussion was held about amending the By-Laws to recognize CPE for certain designations if the party passes the examination and is issued certification. Vice-Chair Hathhorn presented a proposal to amend page 18 to allow for CPE recognition for someone passing the examination and have CPE issued in accordance with that governing bodies requirements. Chair Kirk noted the recognition could not be applied retroactively.

Motion: Vice-Chair Hathhorn; Second: Mr. Allen

“Accept language as presented in the proposed amendment to the By-Laws.”

Motion carried unanimously.

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.

SIAAB 2012 Projects –

Chair Kirk stated since it was getting late in the day but next meeting to plan to discuss the QAR role. Ms. Cullen stated that she would provide a document outlining the various points discussed regarding QAR's for the next meeting.

Chair Kirk will check with CMS Video Conferencing Scheduler for dates for meetings next year. A discussion was held regarding the best date and time. Members discussed bad days which included occasional conflicts on Wednesdays and Thursdays. No one indicated conflicts on Tuesdays. Therefore, it was agreed that what would work best for the majority of the members' schedule and Chair Kirk would see if the second Tuesday of the month from 1:00-3:00 was available. Chair Kirk said he would check and then present dates for approval at the next meeting.

ANNOUNCEMENTS

The next regular meeting will be September 12, 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 Mr. Allen to adjourn the meeting.

Second: Ms. Morgan

Motion carried unanimously and the meeting was adjourned at 3:00 p.m.