

**STATE OF ILLINOIS**  
**INTERNAL AUDIT ADVISORY BOARD**

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

**MINUTES**

**Board Meeting- February 5, 2013**

**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 1:01 p.m. by Chair Stephen Kirk.

**ROLL CALL**

**Members Present/Location:**

Stephen Kirk, (Chair), Illinois Department of Transportation–Springfield  
Amy Walter, Central Management Services-Springfield  
Lesslie Morgan-Office of the Attorney General- Springfield  
Barb Ringler, Office of the Treasurer- Springfield  
Tracy Allen, Office of the Comptroller – Springfield  
Gary Shadid-Illinois Department of Commerce and Economic Opportunity- Springfield  
Marcus Dodd, Illinois Department of Employment Security-Chicago  
Julie Zemaitis, University of Illinois – Springfield  
Stell Mallios, Office of Secretary of State- Chicago

**Members Absent**

Douglas Hathhorn (Vice Chair) Illinois Department of Revenue  
Jane Cullen, Illinois Department on Aging

**MINUTES**

The February 5, 2013, meeting minutes were presented to the Board for discussion and approval. A motion was made by Ms. Zemaitis and seconded by Mr. Shadid to accept the January 8, 2013 minutes. The motion carried unanimously.

## REPORTS AND UPDATES

### CPE Coordinator

Ms. Zemaitis reported that since the last meeting, Alexis Slater an intern at Western Illinois University passed the SIAAB Training Course. Mr. Slater was issued a continuing education certificate on January 23, 2013.

Ms. Zemaitis stated that there were four SIAAB volunteers who agreed to test the 2013 version of the SIAAB Training Course; Ms. Morgan, Ms. Walter, Mr. Allen and Ms. Zemaitis. Ms. Zemaitis requested that everyone complete the test by March 1, 2013. Ms. Zemaitis stated that Ms. Morgan had completed the training and had given her a few comments. Ms. Morgan stated it was nothing significant but there was a reference to an old version of GAO and a couple of typos. Ms. Zemaitis stated that none of the forms have been updated. Currently, she is waiting to see if there is any change to the process, which is decided upon by SIAAB. If there are no changes to the SIAAB process decided upon at the meeting, she stated she could proceed with getting the forms out there based upon the current process.

Ms. Zemaitis researched the Government Auditing Standards and applicable Illinois regulations to see if they provided any guidance for CPE and training, regarding whether CPE credit can be awarded for taking the same CPE course within a certain window of time. The Government Auditing Standards discusses presenters if they prepare to present the same subject within two years they could not get credit, which is consistent with how SIAAB has applied this requirement. If it is greater than two years then they allow credit. SIAAB By-Laws Article 2.5.2, page 16, states that the SIAAB will address issues on a case-by-case basis through the CPE Coordinator.

Since there were not any significant changes, Chair Kirk stated the questions still remains that if someone took the 2012 version of the SIAAB Training Course would they qualify as a reviewer without taking the 2013? Additionally, should they receive CPE if they took the 2012 within the last two years if 2013 changes were not significant? SIAAB should make a decision about this because there are questions that have been asked and will continue to be asked.

Ms. Zemaitis stated that the GAO states that CPE should be designed to maintain and enhance knowledge. SIAAB By-Laws Article 3.4.3, pages 26-27, states they must take and pass the most recent version of the SIAAB Training Course. Ms. Morgan stated that the SIAAB might want to consider editing this part of the By-laws to state, "unless waived by the Board."

Chair Kirk stated that SIAAB could vote on this change at the next meeting. This will be posted as an Agenda item for the next meeting. Ms. Morgan will provide the suggested language for the meeting.

Since SIAAB had made amendments, Ms. Zemaitis stated that she contacted the IIA about copyright permissions. SIAAB had previously been given approval for use of the IIA Standards in their material. Ms. Zemaitis said that in the past the IIA always gave its permission to quote the IIA Standards in the

training course and material. This time the IIA stated that if the information is going to be used only by members of the IIA then there is no problem but if others can access it then we would have to pay. Ms. Zemaitis noted that the vast majority of the users are IIA members but SIAAB does not make this mandatory. Chair Kirk suggested that Ms. Zemaitis talk to someone higher up the chain at the IIA because the SIAAB use in this case promotes the IIA Standards. Mr. Shadid said it is an intellectual property issue for the IIA. Chair Kirk noted he agreed; however, in this case, it should not be an issue for the IIA and he also noted it has never been an issue in the past. SIAAB has always made appropriate use of the IIA material. Its use in this case promotes the following of the IIA Standards. The SIAAB is not receiving royalties for its use or generating any income from this in any way, and further is only reproducing text that is publicly available on the IIA's web site. It is purely used to support the Internal Auditors—that point should be discussed with the IIA. Ms. Zemaitis noted that although the amount owed would probably be small, SIAAB really has no mechanism to pay it.

### **FOIA**

Ms. Ringler reported there was nothing to report.

### **Guidance Coordinator**

Ms. Morgan reported that there was nothing new to report.

### **Quality Assurance Reviews – Current Reviews and Request**

Chair Kirk reported on behalf of Vice Chair Hathhorn that the State Board of Education indicated to him that they will have their QAR report by March 2013. Chair Kirk noted that Vice Chair Hathhorn sent his regrets but he had to attend a required meeting at his agency.

### **New Business**

Chair Kirk announced that the floor would entertain Officer Nominations for the 2013/2014 SIAAB Year. Ms. Zemaitis nominated Vice Chair Hathhorn for Chair, which was seconded by Ms. Ringler. There were no other nominations for this position.

Mr. Allen nominated Mr. Dodd for Vice Chair, which was seconded by Mr. Shadid. There were no other nominations for this position.

Ms. Zemaitis stated that the Open Meetings Act requires each new member to take the Open Meetings Act training within 90 days. She stated they are only required to take this one time during their term, other than the designated FOIA/OMA member who is required to take the training annually. Ms. Morgan recommended members consider taking the training whenever there are changes to the law. Ms. Zemaitis suggested that the By-Laws be amended to state the 90-day requirement so it will be easier for everyone to keep track of this requirement. Chair Kirk stated that he believed SIAAB should stick with what the law requires and not require members to take the training more frequently than required by law. Ms. Morgan

stated that she does not know if SIAAB should compel members to take the training more frequently, but if there are any significant changes, the training is always updated and members may wish to retake the training in those cases so they gain an understanding of any new requirements.

### **Discussion of Responsibilities and Direction of the Board**

Chair Kirk stated that the SIAAB would begin a discussion of the Responsibilities and Direction of the Board, which they had been working on for some time. Chair Kirk referred the members to the extensive discussions that were held in various meetings over the course of the year that were listed in a summary document provided by Chair Kirk. Chair Kirk also referred everyone to the OAG Audit of Internal Audit that was issued several years ago. It was the basis for the changes that were made by the legislature to the Fiscal Control and Internal Auditing Act (FCIAA). Chair Kirk stated that if you read the document you can see the basis for many of the changes that were made because the Legislative Audit Commission recommended changes to the Legislature based upon this report. Chair Kirk stated in many ways it is better than the floor debate, because it is probably much more detailed in facts that surround the changes that were made. Chair Kirk stated that he had segmented the summary of the minutes by the FICCA responsibility areas, and also listed a general category. He would like to have the discussion focus around these individual categories to help the discussion stay organized and on point. Chair Kirk stated the categories were as follows: General, Promulgating Professional Standards, Clearinghouse for the Correlation of Internal Auditor Training Needs, and Coordinating Peer Review or Quality Assurance Reviews. Chair Kirk stated that the SIAAB would discuss the General category after the others areas were discussed, since it was broad and included some of the subjects under the specific areas.

### **Promulgating Professional Standards**

Ms. Morgan stated that Page 32, of the OAG Report, gave insight into the SIAAB authority of promulgating standards. It seems clear from the OAG Report that the Legislature through its FCIAA changes believed a duty of SIAAB is to decide what Internal Auditors would follow for Standards and requirements. It provides more details than the underlying Legislation but the reference to this section for this requirement seems to be clear that this should be a SIAAB responsibility.

Chair Kirk stated he agreed and that overall the Legislative changes to FCIAA made extensive changes including establishing the Board and stating its responsibilities based upon the recommendations of the OAG in this report. It should be read by everyone as it provides a lot of clarification regarding the exact topic of SIAAB responsibilities.

Ms. Zemaitis stated she will have Ed post a copy of the OAG Audit to the SIAAB website as it is a public document that would be useful for all Chief Internal Auditors. It also is an important reference source for SIAAB duties and responsibilities. It documents the history of the formation of SIAAB.

Mr. Shadid asked to be brought up to date on why SIAAB even began to look at its role and responsibilities since he was not on the Board when the process began. What caused the project to be undertaken?

Ms. Zemaitis said it all began with a question from SIAAB with what constitutes an advisory board vs. a governing board since SIAAB has advisory board in its title. Should SIAAB have a more passive role? Ms. Zemaitis stated that she believed it really came down to a philosophical question of what is advisory vs. governing.

Mr. Allen stated there was also a concern of SIAAB liability if decisions were made beyond their authority. He noted that clearly there are functions the Board has that are beyond a passive advisory role and that seems to be supported by the OAG Audit on which the FCIAA changes were based.

Ms. Zemaitis stated she believed if SIAAB is too passive then the members are not fulfilling their fiduciary duty and that would that create liability. Ms. Morgan stated that she agreed that SIAAB has to uphold the public trust and establish guidelines that ensure quality internal audit work in the State. Prior to this, there was concern about Internal Audit work and whether it was being conducted appropriately. The OAG noted there were Internal Audit shops without work papers or audit programs, coverage was not appropriate and other issues that violated professional standards; at a time when agency internal controls were noted as being very weak. The changes recommended to FCIAA to establish the Board was done to provide oversight and also make Internal Audit more professional and effective.

Ms. Zemaitis stated the changes help to ensure the professional oversight of the agency internal controls, which will improve the state agencies.

Ms. Morgan stated she believes Internal Audit has done that. There are, of course, still some issues but the majority of ongoing issues are attributable to a lack of manpower and a need to continue to increase quality. That is what the Quality Assurance program helps to provide.

Additionally, Chair Kirk stated the project was undertaken at the recommendation of former SIAAB member Spenser Staton. He proposed, and the SIAAB members agreed, to define what projects were priorities for the Board. When Chair Kirk took over, he moved this initiative forward under the directive of clarifying the duties and responsibilities of SIAAB.

Mr. Dodd stated he supports SIAAB being involved in QARS. There is a lot of reviewing and oversight done by the Board regarding QARS. However, he realizes that there have been difficulties in finding QAR coordinators; as has been discussed at other meetings. Chair Kirk noted that has definitely been true, there is hardly anyone left on the list to conduct the quality reviews of the QARs for the Board. Mr. Dodd stated the real question before us for QARS should be is the Board doing the right things.

Ms. Morgan stated that coordinating Peer Reviews is discussed in the OAG Audit on Pages 31-32, and she believes there is an involved role of SIAAB discussed in the report. It seems clear that the Legislature with

FCIAA, wanted the SIAAB involved to ensure quality and effectiveness based upon the related information contained in the OAG audit.

Mr. Shadid said he thinks a clear duty of SIAAB is to promulgate the Standards and requirements. That includes a responsibility to make them known to everyone who needs to know. He believes the law is clear that the Legislature expects SIAAB to do that.

Chair Kirk stated he agrees that the Board is responsible for promulgating and interpreting the Standards that are to be followed by all Internal Auditors and he did not believe in any of the previous discussions anyone disagreed with this responsibility and how it has been implemented by SIAAB. Chair Kirk stated that he also believed the Board was doing an even better job of explaining requirements through the new Guidance process.

Chair Kirk asked the members, "What is everyone's outcome and expectation of this exercise and how will we implement any changes that are decided? What will be the mechanism?"

Mr. Dodd stated he believed that once the role of SIAAB is decided, SIAAB needs to inform all of the Chief Internal Auditors. The role should be clearly clarified on the website to allow for transparency of the functions of the Board.

Ms. Zemaitis said SIAAB should start with changes to the By-laws to clearly explain and outline responsibilities.

Ms. Morgan said a list of changes should also be developed and be provided on the website.

Mr. Dodd stated he did not believe that just putting out a list helps people understand. He believed SIAAB needed to go beyond that and clarify things and actually create something.

Ms. Walter stated SIAAB is creating something if they are agreeing to and approving By-law changes.

Ms. Morgan stated you also have to watch that they do not become so detailed that there is not enough room to allow the Board to exercise appropriate discretion.

Mr. Shadid agreed and stated, yes he definitely believed room for professional judgment was needed.

Ms. Zemaitis suggested one starting point would be to expand the purpose section of the first part of the By-laws. Ms. Zemaitis volunteered to draft something to be presented at the next meeting.

Mr. Shadid said in regards to advisory, he believed that SIAAB already communicates with the Chief Internal Auditors and provides guidance. Any changes are communicated to the Chief Internal Auditors. One additional area the SIAAB may look at is adding communication to the Directors or Agency heads. Maybe SIAAB should reach out and advise them directly that SIAAB exists and we are here to provide guidance. This might add to Internal Audit's credibility within the agencies.

Ms. Morgan said one area the SIAAB serves is as an entity who can talk to the Legislature and other concerned parties as a representative of all of Internal Audit, which is much more effective. Chair Kirk stated that SIAAB has clearly done that over the last year.

Chair Kirk stated he agreed with incorporating the changes discussed into the By-Laws but SIAAB needed to decide upon the appropriate bullet points and then details to be incorporated into the By-laws.

Chair Kirk noted that Page 27 of the OAG Audit discussed promulgating standards.

Ms. Morgan said she believed SIAAB covered this well and had a defined process in place to review GAO and IIA Standard changes to see if they should be adopted. Ms. Zemaitis agreed and stated the SIAAB ultimately votes on these in order to adopt them. She stated that SIAAB needs to be able to reconcile these industry requirements and how they are implemented with FCIAA because it is not always that straight forward. That is where SIAAB's importance comes into the process. Chair Kirk noted that with the implementation of the Guidance Coordinator that should bring even more clarity to this process.

Mr. Dodd stated he believed it was clear from the discussions that there was no disagreement with the first two categories (Promulgating Professional Standards and Clearinghouse for the Correlation of Internal Auditor Training Needs) just the third one (Coordinating Peer Review or Quality Assurance Reviews).

Ms. Morgan volunteered to draft what was needed for the By-Laws for the Professional Standards portion to present at the next meeting.

### **Clearinghouse for the Correlation of Internal Auditor Training Needs**

Chair Kirk stated the next topic for discussion was Training. Chair Kirk stated that he included the suggestion Ms. Cullen had of changes to the website under the Training Section. Ms. Zemaitis stated she agreed changes were needed to the website and that discussion would belong under this category of responsibility.

Chair Kirk stated that he believed the first paragraph under the summary minutes he provided, including the next four items, pertain to this topic. Ms. Zemaitis said she would look at those and handle this since the University of Illinois is responsible for maintaining the SIAAB website, which includes the training course. In addition, she is the CPE coordinator.

Mr. Shadid stated that once all changes are complete as a result of this project they should be covered at the next SIAAB conference. Mr. Allen stated he absolutely agreed that SIAAB should call everyone's attention to any changes that are made. Ms. Morgan stated many people read the minutes to the SIAAB meetings so that is also a more immediate means of information. Chair Kirk asked Ms. Zemaitis if it would be possible to list those in the "What's New" section of the SIAAB website. Ms. Zemaitis stated that would be easy and that Ed could do that since he does it for the website now whenever he knows of changes. That should handle informing every one of any changes decided upon.

## **Coordinating Peer Review or Quality Assurance Reviews**

Chair Kirk noted that Pages 15-16, of the Summary of the Minutes, has a copy of the Quality Assurance Review Activities and Processes document that Mr. Allen had sent out to the members. Chair Kirk asked if everyone agreed with the Administrative Duties that were listed.

Mr. Shadid asked about communication to the head of the agency. Chair Kirk noted that #12 talked about sending a letter to the CEO if a QAR was not timely completed. Mr. Shadid suggested having communication to also notify the Chief Internal Auditor that they had a QAR coming due with the dates far enough ahead so they could plan accordingly.

Mr. Allen stated SIAAB should take circumstances into account about reasonableness of the process and timing of the QAR that is proposed by the Chief Internal Auditor.

Ms. Morgan stated that yes, she agreed and thought SIAAB always took those things into consideration.

Mr. Dodd said he believed there had been too much judgment used by SIAAB regarding a deadline passing and when a Director should be contacted. He thought it was only respectful of the Director and their position to not delay and inform them immediately so they can follow-up. We should not use judgment and decide not to inform them just because the Chief Internal Auditor gave a good reason. We have been burned in the past on that when the Chief Internal Auditor did not adhere to the timeline they said they would and it was substantially later before they complied. Just make it a policy to inform them once it has passed if the report has not been submitted—no gray area. Approve the issuance of the letter at the next meeting after the date due has lapsed.

Ms. Walter asked, what about extensions that are granted?

Mr. Dodd stated, he is not comfortable with an official extension but thinks SIAAB should just monitor the deadline and lateness.

Chair Kirk stated, SIAAB could still communicate the date and that it is not in compliance with the Standards, but agree to a new date for the record as to when the Chief Internal Auditor will have their submission. It is still officially out of compliance if it is after the date.

Mr. Shadid stated SIAAB is not really extending the date because we are noting the Standard is violated. We are merely acknowledging their correspondence and revised completion date.

Mr. Allen agreed; it is really just a communication function and acknowledgement not acceptance.

Ms. Morgan stated she believed the General Assembly, Legislative Audit Commission and the Auditor General would expect SIAAB to tell the agency head about the noncompliance. That is part of SIAAB's responsibility.



Mr. Shadid stated the AICPA posts all peer reviews on their website. His agency now makes their staff look on this site to see if the CPA firm is in compliance or not and review their peer review. If it is not there, they are required to ask for it. If they do not have a peer review it is not an acceptable audit.

Ms. Zemaitis stated the current SIAAB By-Laws do not provide for notification of the agency head.

Ms. Morgan stated she believed SIAAB should consider adding this to the By-Laws. It should be addressed on Page 25. Also, look at removing 3.4.2 of the By-Laws regarding Board approval of extensions. We should not approve extensions; just acknowledge the time line for tracking purposes to ensure it is ultimately completed. Make an additional requirement that SIAAB will notify the agency head if it is late.

Chair Kirk noted that currently the Vice Chair tracks on a spreadsheet all agencies and their QARs. This is a spreadsheet originally created by Ms. Morgan and updated accordingly by the Vice Chair. Chair Kirk stated it would probably be a good idea to provide this to all SIAAB members as part of the Board meeting documents for each meeting so all members could track QARs. Chair Kirk stated that he would ask Vice Chair Hathhorn to send the latest version of the QAR spreadsheet to everyone.

Chair Kirk stated we could also look at putting something similar on the website under QAR so everyone could view it and Chief Internal Auditors could see their own. We would need to look at what is currently included and see if anything needs to be taken out.

Mr. Shadid stated he believed it would be a benefit to everyone to put it out on the website. It is hard to get attention to things sometimes but if you put something out on the website it will get everyone's attention, especially someone who is late with their QAR. It is also a method to inform all the Chief Internal Auditors their QAR is coming up and provide general awareness to everyone. He believed this would be a good website addition.

Mr. Allen volunteered to look at the By-Law changes regarding the QAR process and provide them for the next meeting. He noted Page 32 of the OAG Audit, notes that SIAAB should ensure the appropriate distribution of the QAR report.

Mr. Dodd stated that does not mean SIAAB has to actually issue the QAR Report.

Mr. Allen asked how SIAAB could ensure the issuance of the report to the agency head if SIAAB did not actually do the issuance.

Ms. Walter stated that SIAAB could send a letter stating that the QAR was completed and that the agency head should obtain a copy from the Chief Internal Auditor and discuss it with them.

Ms. Morgan said SIAAB could not ensure then that the agency head receives the actual agreed upon version.

Mr. Allen stated he agreed; there is no way we can ensure that if we do not send it.

Ms. Zemaitis stated SIAAB must concur with each report and that means SIAAB should forward the approved version, otherwise SIAAB cannot ensure.

Ms. Morgan stated not issuing it would be like someone only receiving the Report Digest from the OAG.

Mr. Dodd stated SIAAB should ensure a review is done and establish a method for ensuring quality through training. SIAAB does not need to be responsible for the content or ensure the content. We are responsible for ensuring everyone completes their QAR as required.

Ms. Morgan noted that the OAG issues their reports not their contractor.

Ms. Walter suggested SIAAB could be copied on what the Chief Internal Auditor sends to their agency head. That way SIAAB would have a copy of what is sent.

Ms. Morgan said she believed because it says ensure it means SIAAB is responsible for issuing the report.

Mr. Dodd stated the OAG Auditors are not part of an Advisory Board. Mr. Dodd stated the report could be sent by the Chief Internal Auditor electronically and SIAAB copied; therefore, we would know what was sent. Just require them to copy the Board on what they send to the agency head. SIAAB does not have to take responsibility for the report by issuing it. That is too much liability and responsibility in the process.

Mr. Shadid said it seems to him that SIAAB is the expected control of the process. The control in this case is the direct issuance of the report by SIAAB to ensure it is received in whole by the agency head. Anything other than that provides an opportunity for fraud or misrepresentation if there are issues. This is the only way to ensure or guarantee the content represents what was found during the process.

Chair Kirk stated that he agreed he did not know how else the Board could ensure unless they send the report directly to the agency head. He did not believe that prior to reading the OAG Audit but he believed that was the intent of this provision after reading the OAG Audit. That section really sheds light on the intent of this requirement.

### **Guidance Drafts**

Chair Kirk noted that time was running short to cover the Guidance Drafts so the Board will have to pick up that discussion at the next meeting. Chair Kirk noted he received comments from Ms. Morgan and Ms. Walter and he would provide changes to the drafts at the next meeting. Chair Kirk stated he agreed with all of Ms. Walter's changes and many of Ms. Morgan's. The difference relate to the amount of detail. Chair Kirk stated he believes since it is guidance that we are providing SIAAB needs to include sufficient details. Chair Kirk stated that Ms. Walter noted in her comments items that should be retained that Ms. Morgan suggested removing. Chair Kirk said that his differences with Ms. Morgan on what to delete were the same ones identified in Ms. Walter's comments that she also believed should be retained.

## **ANNOUNCEMENTS**

The next regular meeting will be March 12, 2013 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

Vote was unanimous, motion passed 9-0 and the meeting was adjourned at 3:02 p.m.