

SIAAB  
MEETING  
MINUTES  
FOR  
1992

MINUTES FOR INTERNAL AUDIT ADVISORY BOARD MEETING

January 14, 1992

PAGE 1

The regular monthly meeting of the Internal Audit Advisory Board (IAAB) was not held for January 14, 1992. The Chair cancelled the meeting in advance due to a lack of a quorum being available.

MINUTES FOR INTERNAL AUDIT ADVISORY BOARD MEETING  
February 11, 1992  
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The regular monthly meeting of the Internal Audit Advisory Board (IAAB) was held on the above date in Room 505 in the Stratton Building, Springfield, IL, 62706.

Chairperson William B. Winberg called the meeting to order at 9:35a. The following members were present:

John Cain, Office of Secretary of State  
Bradley W. Hammond, Department of Conservation  
Ronald E. Omer, Office of the Comptroller  
James S. Reid, Office of Attorney General  
Sharon Stanford, Illinois State University  
Richard O. Traver, University of Illinois  
William B. Winberg, Central Management Services, Chairperson

*Ousemer - John*  
The following members were absent:

Terry Radliff, State Employees Retirement System  
Benedict R. Zemaitis, Vice-Chairperson, Department of Revenue

Chair announced that member Edward Buckles had been appointed to another position within the Office of Treasurer and hence would no longer be an IAAB member. His replacement had not been announced.

Also, the vacancy caused by the retirement of Donald Thannen had not yet been filled.

There was a quorum present.

The first item of business was the discussion of the minutes from the December meeting. (There was no meeting held in January, 1992 because of a lack of a quorum.)

Member Omer presented a written amendment to the December Minutes. correcting the sixth paragraph of the second page. His corrections are as follows:

"Member Omer handed out copies of a Draft proposal regarding his assignment to develop a Peer Review Committee structure. Since members were anxious to end a long meeting, Member Omer suggested that the Draft be reviewed for discussion at the Boards next meeting. He also asked if any Member would be interested in working with him to flesh the initial proposal out in more detail, i.e. into more of a Methodology. Member Reid volunteered."

With this correction, Member Reid made a motion that the minutes be approved. Member Omer seconded the motion and the motion was unanimously carried.

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*The chair was to  
contact Pres. of State  
Audit Mgmt. Assoc. to  
select any interest  
in Don Thannen's  
open position.*

The next item for discussion was the training program. Member Stanford announced that there was additional information to provide. If such a training program was to be provided by the Institute of Internal Auditors, there could be a seminar.

Member Traver then stated that the Association of University Auditors was to hold a two and one day seminar. He had previously recommended to the Chair that they attend this seminar so that they could act as a committee of internal auditors.

A discussion of cost sharing/funding for peer review followed. There were two main concepts put forth, one was a plan whereby all costs would be paid by Central Management Services thru its revolving funds. Another idea was that the costs should be shared by the participants' agencies.

The next item on the agenda was the committee structure of a peer review program. Member Omer presented an outline that was prepared along with member Reid and with information supplied by former member Thannen.

There was a motion made and seconded that copies of the guidelines should be given to members for their review. The motion was unanimously carried.

*of highway bylaws*

The Chair then asked for opinions on the development of the wording for the overall guidelines. Member Traver agreed to work with Member Omer on the development of such guidelines.

The Chair then brought up a discussion of members' terms. The Governor's Office seemed to favor reappointing the same members to additional terms and filling the vacancy created by the retirement of Donald Thannen.

Selection of a new IAAB Chairman and Vice-Chairman was the next item discussed. Member Cain made a motion that Benedict R. Zemaitis be elected to serve as the new Chairman. The motion was seconded by Member Stanford. The motion was unanimously carried. A motion was then made by Member Hammond that Member Traver be appointed as Vice-Chairman. The motion was seconded by Member Stanford and the motion was unanimously carried.

In other business, Member Hammond suggested that Audit Managers be contacted to get their feelings about fees for peer review training.

Chairman Winberg then announced the availability of training tapes to assist agency personnel in preparing their annual certification processes as required by the Fiscal Control and Internal Auditing Act (FCIAA).

The Chair then called for a motion to adjourn. Member Omer made the motion and it was seconded by Member Hammond. The motion was unanimously carried and the meeting was adjourned at 10:45a.

To Bill Winberg  
From Ron Omer REO  
Date February 11, 1992  
Re State Internal Audit Advisory Board - Minutes Matters

As approved by unanimous vote at our meeting this morning, I am providing copy of the correction to the December 10, 1991 State Internal Audit Advisory Board Minutes.

Correction of December 10, 1991 SIAAB Meeting Minutes - 2nd page, 6th paragraph should read as follows:

Member Omer handed out copies of a Draft proposal regarding his assignment to develop a Peer Review Committee Structure. Since Members were anxious to end a long meeting, Member Omer suggested that the Draft be reviewed for discussion at the Boards next meeting. He also asked if any Member would be interested in working with him to flesh the initial proposal out in more detail, i.e., into more of a Methodology. Member Reid volunteered.

Also, attached are copies of the documents concerning "PEER REVIEW BYLAWS" and "PEER REVIEW STRUCTURE" of the American Association of State Highway and Transportation Officials. These documents are to accompany the February Minutes disbursed to Members of the Board.

Thanks for all that you have done for the Board, as Chairman, over the last two years.

J;SIIABFEB.922

## MINUTES FOR THE INTERNAL AUDIT ADVISORY BOARD MEETING

March 10, 1992

The regular monthly meeting of the Internal Audit Advisory Board (IAAB) was held on the above date in Room 600 in the Stratton Building, Springfield, Illinois, 62706.

Chairperson Ben Zemaitis called the meeting to order at 9:35 a.m. with a quorum. The following members were present:

John Baldini, Office of the Treasurer  
Bradley W. Hammond, Department of Conservation  
Ronald E. Omer, Office of the Comptroller  
Terry Radliff, State Employees Retirement System  
James S. Reid, Office of Attorney General  
Richard O. Traver, University of Illinois  
William B. Winberg, Central Management Services

The following members were absent:

John Cain, Secretary of State  
Sharon Stanford, Illinois State University

The following observers were present:

Galie E. Traylor, Illinois Department of Revenue

### Discussion, Review and Approval of Prior Board Minutes:

January 14, 1992 minutes disclosed this meeting was cancelled by Chairperson Winberg due to lack of a quorum.

Member Hammond moved to approve January 14, 1992 minutes; Member Omer seconded; motion carried.

February 11, 1992 minutes were presented by Chair Zemaitis for discussion and approval.

Member Hammond noted on Page 2, First Paragraph, last sentence read, "If such a training program was to be undertaken through the Institute of Internal Auditors, there could be no negotiations on cost." Said sentence should be corrected to read, "If such a training program was to be undertaken through the Institute of Internal Auditors, there could probably be negotiations on costs." Chair Zemaitis so noted.

Member Winberg questioned if it should be included in the February minutes (as a discussion item) that the Chairperson was to contact the president of the State Internal Audit Managers Group to solicit any interest in recommending someone to fill the vacancy on the State Internal Audit Advisory Board left by Don Thannen's retirement.

A discussion ensued and the Board unanimously agreed the February 11, 1992 minutes should include the following:

"The Board discussed the possibility of contacting the president of the State Internal Auditor Managers Group about the vacancy left by Don Thannen."

to be added to Paragraph 7 on Page 2 of the February 11, 1992 minutes. Chair Zemaitis so noted.

Paragraph 2, Page 2 of February 11, 1992 contents discussed. There should be language included to enhance the discussion with Sharon Stanford to include that, "Contact to be made with some Audit Managers to see if they are willing to participate and to share the cost of the training." Member Hammond volunteered to do this.

Also, minutes should include that John Baldini was present at the February meeting as an observer because his official appointment came after the February meeting.

There should be a minor clarification on Page 2, Paragraph 4 regarding Peer Review Program. Member Omer presented a draft of the Highway By-Laws. It should include, "Copies of the Highway By-Laws should be given to the members for their review." Member Winberg moved the minutes should be approved as amended. Said move was seconded by Member Hammond. Minutes of the February 11, 1992 Internal Audit Advisory Board were unanimously approved as amended.

**Discussion Item: Peer Review By-Laws.**

Members Reid and Omer drafted Peer Review By-Laws with input from Member Traver. These By-Laws contain Peer Review policy. The By-Laws need to be reviewed closely to determine if the Board wants to go with the By-Law structure. Members are asked to read them in detail and prepare comments.

Chair Zemaitis proposed that a Peer Review Subcommittee be formed comprised of Members Omer, Reid and Traver and they be granted authority to contact the Audit Managers group for their input, field comments from the Board, prepare revised draft, and carry through, to the full adoption by the Board the Peer Review By-Laws. The Subcommittee should select a chairperson among themselves.

A discussion ensued and Member Winberg moved that the Board grant the authority creating a By-Laws Subcommittee comprised of Members Omer, Reid and Traver to carry through to its completion, the organization of the Peer Review By-Laws. Seconded by Member Reid. Motion carried.

A discussion was then had concerning when written comments on the By-Laws should be submitted by Board Members to the By-Laws Committee. It was decided by the Board that all written comments on By-Laws are to be submitted to Member Omer not later than March 24, 1992. This would give the Subcommittee time to review and make proposed changes.

Chair Zemaitis thanked the Board members for electing him Chairperson.

Discussion Item: Peer Review Training. Chair Zemaitis announced that Sharon Stanford had contacted the IIA regarding the training. She did report the IIA would not negotiate cost; however, the price that was quoted is less than it would be for other people. The cost would be \$4,000.00 for Donald Nelson to come to Springfield for 2-1/2 days training, which would include materials. It was noted that if 40 or more people attended the training, the cost would be about \$125.00. Don Nelson would be able to come in September.

After further discussion regarding this topic, a motion was made by Member Hammond that Member Hammond would volunteer to work with Springfield Chapter of the IIA to set up the training seminar in September. Motion seconded by Member Reid; motion carried. Member Omer noted for clarification that when Member Hammond talks to the Springfield Chapter, we can say the training is a "go". Chair Zemaitis stated the Chapter should understand they have the Board's support and that the success of the program will depend upon the back-up by each auditor. Chair Zemaitis noted he understood the training would be set up on a "break even" basis and the cost would be split among the attendees. Member Winberg informed the Board he and Member Hammond contacted about 20 Audit Managers and they received a good feedback regarding attendance at the training seminar.

Chair Zemaitis announced another item dealing with Peer Review Training. Chair Zemaitis informed the Board he had made the acquaintance of John Huston, State Internal Auditor of the Commonwealth of Virginia. John Huston provided him with information regarding Peer Review Training programs in Virginia. Virginia has a Department of State Internal Auditor in addition to the internal auditor activities within each state agency. This separate state agency coordinates training, peer review, etc. for all state agencies. In a sense they have a separate state agency that does a lot of work that this Advisory Board does. They have been using the IIA's Peer Review Program concept in doing the Peer Reviews in Virginia.

Chair Zemaitis also informed the Board he obtained a copy of the manual and shared same with Member Traver. Chair Zemaitis further informed the Board that Virginia is doing something in which we might be interested. They have developed what they call a self-evaluation questionnaire which they send to all the agencies prior to peer review. (Copies of this questionnaire were distributed to Board Members.) This particular questionnaire, explained Chair Zemaitis, deals with the Virginia Commonwealth University. All questions are basically the same, but they do customize them (such as this one) to fit the occasion.

Chair Zemaitis stated one of the things the Board might want to consider (after reviewing it) developing, copying, or adopting something similar for our own use. The Peer Review process, once in place, will still take the Board about 2-3 years to cover everybody. In the meanwhile, as part of the process, we may also want to consider developing a self-evaluation questionnaire and make it available to all agencies at the beginning of the process.

Chair Zemaitis also informed the Board John Huston would be willing to share some of the experiences he encountered in the Peer Review process in the State of Virginia, which they have done for a couple of years. Huston would be willing to come to Springfield for a day or two at no fee, just for travel expenses. Chair Zemaitis also suggested he might come to Springfield during this fiscal year. Member Winberg suggested this could take place at a State Audit Manager's meeting. He offered to check with Central Management Services to see if this program meets the criteria of being a legitimate training program and report his findings to Chair Zemaitis. Chair Zemaitis volunteered to bring this issue to the attention of Jim Donkin. No further discussion was had.

## NEW BUSINESS:

### Interfacing with the Audit Managers Group.

Chair Zemaitis opened the floor for discussion. The consensus of the Board Members is that Chair Zemaitis will contact Jim Donkin to discuss increasing interaction with the State Audit Managers group. Chair Zemaitis volunteered to officially invite a representative from the State Audit Managers Group to attend Internal Audit Advisory Board meetings.

### Internal Audit Advisory Board Appointments to Fill a Vacancy on the Board.

Member Winberg, as past Chair, up-dated the Board on the status of appointment to fill a vacancy on the Board. The Governor's Office has a new person in charge, specifically for appointments. In reality, due to the budget crisis, etc., this is not the highest priority of the Governor's Office right now. The Board has made the request known to them. Member Winberg noted the Board is currently very actively involved with major issues right now. It would take a long time to bring a new board up to the standard of this Board. The continued continuity of the current Board would be beneficial to getting the job done.

A discussion took place regarding this issue. Chair Zemaitis volunteered to establish liaison with Ken Zehnder of the Governor's Office to get people re-appointed to the Board to keep its continuity. Chair Zemaitis asked the Board Members if anyone had any objections or problems with being re-appointed to the Board to please let him know.

The next issue brought before the Board was regarding involvement of the Board in filling the open positions as they occur. There is currently a vacancy created by the retirement of Don Thannen. The question presented was, "Should the Board get involved with nominating?", or "Should it be left strictly up to the Audit Managers Group to make recommendations to the Governor's Office?". The floor was opened for discussion.

The consensus of the Board Members was, that the Board should inform the Audit Managers about the vacancy, and that we need someone who is interested in working. They need to recommend more than one name to the Governor's Office. The Board will officially refrain from taking an active part in the process involving Board appointments. Chair Zemaitis volunteered to discuss this with Jim Donkin. Discussion ended.

## ANNOUNCEMENTS:

Chair Zemaitis opened the floor for announcements. Member Traver announced the University of Illinois is sponsoring a program on November 8, 9, & 10, 1992 on T.Q.M. On Tuesday, November 10, 1992, there will be 2 hours allocated to Xerox on T.Q.M., 2 hours to Federal Express and 2 hours to Motorola. These presenters are all audit directors talking about T.Q.M in auditing. He informed the Board he would attempt to make attendance to the program available to Board Members on November 10. The cost will be under \$200.00 including room and board. This program will be held at Allerton Park.

Chair Zemaitis announced the April 14, 1992 Board meeting will be held at the Willard Ice Building, 101 W. Jefferson on Level 6 NE in the North Training Room at 9:30 a.m. Parking will be available on either the Jefferson or Madison entrances. A list of the names of the Board members will be submitted to the Security Guards and members will be able to sign in at the security desk in the lobby. If you have any guests coming, you will need to let us know so their names can be placed on the list.

Member Traver announced he brought a Peer Review Report that Joe Shepard did on the University of Illinois Office of University Audits and the Audit Program. If anyone would like to read this report, it is available.

Member Omer asked that the copy of the State Auditors and Treasurers, Peer Review book be returned to him as soon as possible.

Chair Zemaitis asked, if there were no further announcements or business, for a motion to adjourn. Motion to adjourn was made by Member Winberg; seconded by Member Reid. Meeting adjourned at 10:35 a.m.

(REVISED)

MINUTES FOR THE INTERNAL AUDIT ADVISORY BOARD MEETING

April 14, 1992

The regular monthly meeting of the Internal Audit Advisory Board was held on the above date in Willard Ice Building, Level 6NE, Springfield, Illinois 62794.

Chairperson Ben Zemaitis called the meeting to order at 9:41 a.m. with a quorum. The following members were present:

Ben Zemaitis, Chairperson, Ill. Dept. of Revenue  
Ronald E. Omer, Office of the Comptroller  
Richard Traver, University of Illinois  
Terry Radliff, State Employees Retirement System  
Bradley W. Hammond, Department of Conservation  
Art Keegan, Office of the Treasurer  
Sharon Stanford, Illinois State University (Arrived late)

The following members were absent:

John Cain, Secretary of State  
William B. Winberg, Central Management Services

The following observers were present:

Galie E. Traylor, Ill. Dept. of Revenue  
Mary Fritz, Department of Public Aid

Chair Zemaitis introduced Art Keegan, Office of the Treasurer, as our new Board Member.

**Discussion, Review of March 10, 1992 Board Minutes:**

March 10, 1992 minutes were presented by Chair Zemaitis for discussion, changes and approval.

Member Omer noted last paragraph of Page 1, the use of "Commission" in the title of State Internal Audit Managers Commission. It should be changed to State Internal Audit Managers Group. Also, the entire last paragraph, which reads as follows, "Member Winberg questioned if it should be included in the February minutes (as a discussion item) that the Chairperson was to contact the president of the State Internal Auditors Commission to solicit any interest in filling Don Thannen's position.", should be corrected to read as follows, "Member Winberg questioned if it should be included in the February minutes (as a discussion item) that the Chairperson was to contact the president of the State Internal Audit Managers Group to solicit any interest in recommending someone to fill the vacancy on the State Internal Auditor Board left by Don Thannen's retirement." So noted by Chair Zemaitis

Member Traver noted on page 4, under Announcements, to correct dates of a program sponsored by the University of Illinois. The dates shown were Tuesday, November 10 & 11, 1992 and should be shown as follows: "...November 8, 9, & 10, 1992. On Tuesday, November 10, 1992, there will be ..." Chair Zemaitis so noted to correct minutes.

Chair Zemaitis entertained a motion to approve the March 10, 1992 minutes as corrected. Member Omer moved to approve the March 10, 1992 minutes as corrected; Member Hammond seconded and minutes were unanimously approved as corrected.

Chair Zemaitis welcomed Mary Fritz of the Department of Public Aid. Mary Fritz represented Jim Donkin, Chairperson of the State Internal Audit Managers Group, who could not be present.

#### Old Business:

#### Discussion Item: Peer Review By-Laws

Chair Zemaitis opened the floor for discussion of the issue of the Peer Review By-Laws. Chair Zemaitis acknowledged members of the Peer Review By-Laws Subcommittee, Ronald Omer, James Reid, and Richard Traver. He relinquished the floor to Member Omer. Member Omer distributed to the Board a draft of the By-Laws with written recommendations of IAAB members.

After discussion, it was unanimously agreed by the Board Members that the Peer Review By-Laws remain intact, with the following changes:

### **Article III. Committees on Peer Review**

#### **Section 3.4 Membership, Tenure and Qualifications.**

Third Paragraph read as follows, "Each year, the "SIAAB" and the "SIAMG" will select a "Report Acceptance Committee" and a "Performance Committee" MEMBER ELECT to serve as an interim Committee member in the event a vacancy occurs." Third Paragraph was changed to read: " The "SIAAB" and the "SIAMG" will select a "Report Acceptance Committee" and a "Performance Committee" MEMBER ELECT to serve as an interim Committee member in the event a vacancy occurs."

#### **Section 3.5 Terminations and Vacancies.**

Addition shall be made, SIAAB has the authority to remove Committee Members; the Committee Chair enabled only to recommend removal of Committee Member.

#### **Section 3.9 Correspondence Meetings.**

The entire Section shall be stricken from the Peer Review By-Laws due to the Open Meetings Act with the understanding there will be further action to clarify, and if it is not illegal to what 3.90 shows, then the design will be resurrected on the next meeting. Member Omer will communication with Member Reid to obtain clarification on this Section.

### **Article IV. Review Teams**

#### **Section 4.4 Resolution of Disputes.**

Corrected to reflect that final appeals shall be before the State Internal Auditors Board.

## **Article V. Program Specifications**

### **Section 5.2 Final Disposition of Records and Workpapers.**

The text of this Section was changed to reflect that the Review Team Leader will be able to retain the workpapers, if disagreements with the Reviewee have not been resolved. When the final report is issued, all working papers will be kept a maximum of six years, or the next review, whichever comes first.

The Team Leader who has possession of the working papers is not allowed to give access to the workpapers, for the Peer Review process, without the approval of the SIAAB.

Member Omer noted these changes and stated he will make the necessary changes.

Sharon Stanford moved to accept the Peer Review By-Laws as corrected; Member Traver seconded. The unanimous consensus of the Board was to approve the Peer Review By-Laws as amended.

Member Omer stated he would contact Member Jim Reid to represent the Board at the State Internal Audit Managers Group meeting on April 24, 1992.

### **Discussion Item: Peer Review Training**

Chair Zemaitis relinquished the floor to Sharon Stanford, who has been working with Brad Hammond on the Peer Review Training. Sharon reported that she firmed up the dates with Don Nelson which are September 10, 11, and 12, 1992 (2-1/2 days). We have no formal arrangement with him, but he had blocked out the dates. They will work with the Springfield Chapter and get notices out. They will also announce this training program at the Audit Managers' meeting on April 14, 1992 at the Capital Development Board in Springfield. In the discussion with Don Nelson, his fee of \$4,000 plus travel expenses will be paid. They are now working on the contract with Don Nelson.

### **Next Discussion Item: Advisory Board Appointments.**

Chair Zemaitis reported to the Board he had discussed Advisory Board appointments with Ken Zehnder of the Governor's Office. Zehnder suggested to leave the Board as is until finalization of the Peer Review program which should be within 3 to 4 months. Zehnder stated there are no plans to replace Don Thannen at this time.

Chair Zemaitis also reported to the Board he had established contact with Diane Ford, Liaison of the Governor's Office in inquire if there is any concerns of the Governor's Office the Board needs to attend. The answer was no. Chair Zemaitis also mentioned to her we had an inquiry regarding status of Chief Internal Auditor appointments under the Governor (which is a term appointment) She asked if we would table the issue until the Governor's Office and Central Management Services had a chance to review all the implications of the Rutan decision. They are going through the review process to see which positions under Governor's jurisdiction are subject to the Rutan Supreme Court Decision and which ones are not. Once that is done, then this would be a good issue to look at.

Chair Zemaitis also reported two people contacted him regarding recommendation to fill Don Thannen's position. Chair Zemaitis informed them SIAAB will not be making recommendations and that it would probably be up to the Audit Managers Group to take the incentive. He also indicated to them the feedback that he received from Ken Zehnder that they would not be planning to make any appointments immediately. Chair Zemaitis invited them to attend some Board meetings so they could get acquainted with the process and get additional information about whether they want to join the group. He also informed this was a working Board.

**Next Discussion Item: Interface with the Audit Managers Group**

Chair Zemaitis reported he discussed with Jim Donkin about having someone from the Audit Managers Group to attend Board meetings. Jim Donkin assured him someone from the Audit Managers Group will be attending the meetings, if not himself.

**NEW BUSINESS**

**Discussion Item: FCIAA Certification Guidelines**

Chair Zemaitis reported he had a discussion with Member Bill Winberg about FCIAA Guidelines that have been issued as part of CUSAS. Bill Winberg expressed a concern that CUSAS has an unintentional omission regarding one of the key issues of the certification process. The original guidelines that had been issued provide an option to Agencies that have adequate internal audit operation may rely on the results of the internal auditing work. This is not in the CUSAS publication. Bill knew he would not be able to attend and asked Chair Zemaitis to prepare a resolution to present on his behalf; which reads as follows:

"It is the consensus of the IAAB that a change is needed when you next update the CUSAS Manual pertaining to the FCIAA Certification Guidelines. The proposed change is to include the statement that when reviewing fiscal and administrative controls the agency, board, commission or university may consider reliance upon other audits conducted in the agency as a basis for determining weaknesses and controls."

Chair Zemaitis produced Volume I, Page VIII of Executive Summary, evaluating in Agencies with Sufficient Internal Auditing Resources, which states as follows:

"Agencies of Professional Internal Audit Units with sufficient resources will generally already be in effect performing the annual internal control evaluations required by the Act. In such agencies Internal Auditors will already be performing audits of agency internal control systems pursuant to the 2-year audit cycle contemplated by the Act. Reliance on relevant audit work performed in these cycles for purposes of the required annual evaluations is altogether appropriate."

Chair Zemaitis stated the CUSAS insert is a supplement to CUSAS Procedure 2, Internal Controls and does not make the same reference as Volume I, Page VIII, Evaluation in agencies with Sufficient Resources. This strictly talks about the checklist and does not say that there is an option. The aforementioned reference is not in the CUSAS supplement.

After some discussion, Motion was made by Member Omer to approve Chair Zemaitis to develop a correspondence and send it to the Comptroller reflecting this concept as discussed.

Sharon Stanford seconded. No further discussion; motion carried unanimously by the Board.

Member Omer will make Sam Stiles aware of the aforementioned forthcoming correspondence.

#### **ANNOUNCEMENTS:**

Member Radliff inquired if anyone had received any information or question from the Auditor General's Office about doing testing for the external auditors. Member Hammond noted the Auditor General's Office budget had been cut substantially for contract auditors. Member Hammond noted he replied that if the Auditor General wanted him to do some extra audit steps, he'll consider it.

Chair Zemaitis announced Sangamon State University Accounting and MIS Department are putting together courses for accounting majors with a minor in MIS (Management Information Systems). One of the courses which already has a syllabus is EDP Auditing. EDP Auditing will be added to SSU list of programs. John Nosari will be slated to teach the course.

Motion to adjourn was made by Member Hammond and seconded by Member Omer. Meeting adjourned at 11:45 a.m.

## MINUTES FOR THE STATE INTERNAL AUDIT ADVISORY BOARD

### SPECIAL MEETING - MAY 19, 1992

The Special Meeting of the State of Illinois Internal Audit Advisory Board (SIAAB) was held on the above date at 1:00 p.m. to discuss "Model Internal Audit Legislation for State Government proposal by the Institute of Illinois Auditors.

Chairperson Ben Zemaitis called the meeting to order at 1:10 p.m. in the Willard Ice Building, Level 6 NE (South Training Room), 101 West Jefferson, Springfield, IL 62794 with a quorum.

The following members and observers were present:

William Winberg, Central Management Services  
Bradley Hammond, Department of Conservation  
Ronald Omer, Office of Comptroller  
John Cain, Secretary of State  
Sharon Stanford, Ill. State University

#### Observers:

Mary Fritz, Dept. of Public Aid, representing James Donkin, Chairperson of the State Internal Audit Managers Group

John Baldini, Office of Treasurer, representing Art Keegan, Office of Treasurer

Galie Traylor, Dept. of Revenue

Chair Zemaitis opened the floor for discussion of the proposed "Model Internal audit Legislation for State Government" because of concerns expressed by Board Members. The consensus of the Board Members was that the Board should provide some feedback to the Government Relations Committee of the IIA. Chair Zemaitis proposed the Board discuss this item section by section for comments, deletions, additions, and/or modifications. Whereupon the Board Members discussed each of the following sections in the above referenced document and unanimously presented the following comments, deletions, additions, and/or modifications:

#### **Section No. 1- Citation of the Act.**

The Board Members had no comments on this Section.

## **Section No. 2 - Purpose.**

The consensus of the Board Members is that the language in this section paraphrases IIA's definition from the Statement of Responsibilities; therefore the Board Members suggest using the exact wording of the IIA definition.

In addition, the Board Members suggested it is not advisable to place so much emphasis on "intentional wrongdoing", etc. covered in the last sentence and to omit the last sentence of the paragraph.

## **Section No. 3 - Definitions.**

The Board Members have no comments regarding this section.

## **Section No. 4 - Applicability of the Act.**

The Board Members unanimously agreed that the suggested criteria is too rigid. They felt if specific criteria is used, then it should be noted that these are only examples, not something to be taken verbatim. Also, if descriptions are used, the specific numbers be left open.

## **Section No. 5 - Appointment of agency Internal Audit Director, Staffing, and Location of Audit Organization.**

In this section, the Board Members looked at each sub-item and unanimously made the following suggestions:

- a) No comments.
- b) Proposed the following wording: **"The agency head shall provide for additional professional and support staff needed to implement an effective program of internal auditing."** The Board Members also noted that the audit director should be recruiting and selecting the staff.

## **Section No. 6 - Professional Qualifications.**

The Board Members unanimously agreed that they:

- a) Do not agree that accounting degree or a number of accounting courses should be a prerequisite. They suggested the following wording: **"A bachelor's degree from an accredited college or university. He/She must have at least 5 years of progressively responsible professional auditing experience."**
- b) Do not agree that a masters degree should be limited to certain disciplines.

The Board members suggested the following wording for Paragraph b: **"A masters degree from an accredited college or university and at least 4 years of progressively responsible professional auditing experience."**

- c) The Board Members' opinion was that passing of the CPA examination should be sufficient, rather than requiring an individual to be e licensed for practice.

The Board Members suggested the following wording for Paragraph c: **"A Certified Internal auditor or a Certified Public Accountant and at least 4 years of progressively responsible professional auditing experience."**

#### **Section No. 7 - Duties of the Agency Internal Audit Director.**

The Board Members unanimously agreed that they:

- a) Do not agree that the Internal audit Director should be reporting to the Deputy agency head.

They suggested the wording: **"Report directly to the agency head".**

- b) Had no comments regarding this paragraph.
- c) Should not be limited only to "fiscal" accountability. Suggested the following wording: **"Review and evaluate internal controls necessary to ensure the fiscal and administrative accountability of the state agency."**
- d) Do not agree that a copy of an approved audit plan be statutorily required to be given to the legislative auditor. In practice, this information is shared during the audit process. To place a legislative requirement, however, would be inappropriate.

Suggest that the entire last sentence of this section, starting with, **"A copy of the approved plan. . . . or performance audit."** be stricken.

- e) Have no comments on this paragraph.

#### **Section No. 8 - Applicable Professional Standards.**

The unanimous consensus of the Board was that it is their opinion that only the general and specific IIA Standards should be applicable and the reference to "SIASSs" should be stricken. SIASSs reflect only the interpretations and suggested practices, and, therefore, do not have the same "weight" as the Standards themselves.

## **Section No. 9 - Reporting.**

The unanimous opinion of the Board regarding this section was they:

- a) Do not agree that the working papers should be considered as public records. Internal audit working papers and the internal audit reports represent confidential reports to agency management and should be treated as such. Also, the Standards cover this topic.

Suggest the entire paragraph be deleted.

- b & Suggest that both b and c be moved to Section 7,
- c) Duties of the Agency Internal Audit Director

## **Section No. 9 - Reporting.**

It was the unanimous opinion of the Board Members that this entire section be stricken because the Standards cover the entire topic of "Reporting" very well. They did not feel that additional requirements reflecting personal preferences should be legislated. Also, they did not agree that copies of internal audit reports should be distributed outside of the audited agency. To do so, in their opinion, would have a significant negative impact on the effectiveness of the internal audit function.

## **Section No. 10 - State Auditor or External Auditor.**

The Board Members' opinion was they feel this entire section should be stricken. In their opinion, legislation dealing with internal auditing function should be free of topics not germane to the practice of internal auditing.

## **Section No. 11 - Professional Development.**

The Board Members noted that pursuing professional development through interface with the legislative auditor should not be considered as a major source of knowledge. As such, they felt this reference should be dropped and, instead, adopting, for example, the IIA's CPE requirements.

## **Section No. 12 - Quality Control.**

The Members of the Board strongly agreed with the provision; however, felt that the minimum cycle should be every 5 years instead of 3 years. They also suggested striking the last sentence in this section.

### **Section No. 13 - Follow-Up.**

- a) It was the unanimous opinion of the Board that the Standards cover auditor's responsibilities relating to following up on audit findings. As such, they do not see any need for a special reference. If one is made, it should be clarified to make sure everybody understands that it is management's responsibility to act on audit findings. Consequently, reports of actions taken should also be part of management's burden and not the internal auditor's.
- b & Both of these section should be dropped as per the
- c) Board's comments in (a).

### **Section No. 14 - Audit Committees.**

- a) The Board Members' unanimous opinion was they are not against the concept of audit committees in government; however, they are against internal auditors reporting to them. They suggested the following wording: " **One or more audit committees shall be established to monitor the activities of agency internal audit organizations. The internal audit director shall have freedom of access to the audit committee.**"
- b) The Board Members had no comment on this paragraph.

### **Section No. 15 - State Interagency Internal Audit Forum.**

The Board Members had no comment on this section.

### **Section No. 16 - Annual Report.**

Chair Zemaitis called for any additional comments, additions, deletions on the above. No further discussion was had. Member Cain moved to empower Chair Zemaitis to compile the comments of the Board Members and forward them to Sam McCall. Motion was seconded by Member Winberg; motion carried.

Chair Zemaitis called for a motion to adjourn. Member Omer moved for adjournment; seconded by Member Stanford; meeting adjourned at 2:47 p.m.

# MINUTES FOR THE STATE INTERNAL AUDIT ADVISORY BOARD MEETING

May 12, 1992

The regular monthly meeting of the State Internal Audit Advisory Board was held on the above date in the Willard Ice Building, Level 6NE, South Training Room, Springfield, Illinois 62794.

Chairperson Ben Zemaitis called meeting to order at 9:35 a.m. with a quorum, calling for Roll Call. The following members were present:

Ben Zemaitis, Chairperson, Department of Revenue  
Richard Traver, Vice Chairperson, University of Illinois  
Bradley Hammond, Department of Conservation  
Art Keegan, Office of Treasurer  
Ronald E. Omer, Office of Comptroller  
Terry Radliff, Illinois State Retirement System  
Sharon Stanford, Illinois State University  
John Cain, Secretary of State (Late Arrival)  
William Winberg, Central Management Services (Late Arrival)

Guest Observers:

Bernard Silbert, University of Illinois

Nita Adams, Department of Public Aid, representing James L. Donkin, State Audit Managers Group

Galie E. Traylor, Department of Revenue

Absent:

Jim Reid, Office of Attorney General

Chairperson Zemaitis welcomed Bernard Silbert as a guest.

## Discussion Item: Review of April 14, 1992 Board Minutes:

Chair Zemaitis opened the floor for review and discussion of April 14, 1992 Board meeting minutes.

Member Omer noted the third paragraph on Page 2, should read as follows:

"Chair Zemaitis welcomed Mary Fritz, of the Department of Public Aid, representing James Donkin, who is a member of the State Internal Audit Managers Group."

Member Omer also noted a typographical error on Page 2, Section 3.4, Membership Tenure and Qualifications. Change SIIAB to SIAAB.

Member Stanford noted on Page 3, Discussion Item; Peer Review Training, second sentence should read:

"Sharon reported that she firmed up the dates with Don Nelson... "

It was also noted in the same section, a correction of the sentence to read:

"They will also announce this training program at the Audit Managers' meeting on April 27, 1992 at the Capital Development Board in Springfield."

Chair Zemaitis entertained a motion to approve the April 14, 1992 minutes as corrected. Member Omer moved to approve minutes as corrected; Member Stanford seconded motion; minutes unanimously approved by a Board vote.

### OLD BUSINESS

#### Discussion Item: Peer Review By-Laws:

Chair Zemaitis relinquished the floor to Member Omer for his presentation of the final draft of the Peer Review By-Laws as follows:

Section 3.4 dealing with the Executive Committee was discussed. Amendment to reflect: "The Executive Committee shall consist of 2 members of the SIAAB and 1 member from the State Audit Managers Group."

Member Omer moved to approve changes in Section 3.4 of the By-Laws as indicated above; seconded by Member Traver; Board unanimously voted in favor of said motion. No further discussion.

Section 4.3 of the By-Laws concerning Exit Conference procedure was discussed. The sentence in Section 4.3, "Final responses will be obtained and included in the final report." now shall read, "Final responses, if any, will be obtained and included in the final report."

Member Winberg moved for approval of Section 4.3 with amendment as reflected above; motion seconded by Art Keegan. No further discussion was held. Board Members voted unanimously to approve said motion.

Section 5.3 regarding Peer Review scheduling was discussed. Member Stanford moved the Board accept Section 5.3 of the Peer Review By-Laws as written with the omission of the phrase, "... 'within 3 years' of this program scheduled Peer Review." Said motion was seconded by Member Winberg; no further discussion had and the Board unanimously voted to adopt Member Stanford's motion.

Member Omer brought to the attention of the Board Members the following changes made in the Peer Review By-Laws for clarification purposes:

On Page 2, Section 3.6, dealing with "Definitions", a formal definition of "Review Team" was added. With reference to quorum requirements for the Executive Committee, amendment to read, "... 2 committee members constitute a quorum to transact business at a meeting of the Executive Committee."

Section 3.8 makes reference to compliance with the Public Meetings Act. In this section an addition to reflect that Executive Committee is to comply with the Public Meetings Act.

Chair Zemaitis entertained motion to accept changes in Sections 3.6 and 3.8 of the Peer Review By-Laws. Member Stanford moved to accept the aforementioned changes; her motion was seconded by Art Keegan; no further discussion on changes; Board voted unanimously to accept changes.

Chair Zemaitis inquired if there were any additions, changes, or modifications to existing Peer Review By-Laws. None were offered; no further discussion was had and Chair Zemaitis called for a motion to adopt the Peer Review By-Laws as amended. Member Stanford moved to adopt the Peer Review By-Laws as amended; Member Cain seconded her motion; the Board voted unanimously to adopt the Peer Review By-Laws as amended.

Chair Zemaitis and Board Members congratulated the Peer Review By-Laws Committee on a job well done.

Member Omer noted he would make necessary revisions and submit final copy to appropriate individuals.

**Next Discussion Item: Peer Review Training Update:**

Member Hammond reported they have a room at the Best Western for the training program scheduled in September, 1992.

Chair Zemaitis distributed to the Board copies of a letter to Sam Stiles, of the Office of Comptroller. The issuance letter was a result of an issue brought before the Board at the April 14, 1992 meeting by Member Winberg concerning the issuance of CUSAS and omitting a proviso which allowed agencies with sufficient auditing resources to rely on the audit process rather than doing the specials.

This issue was opened for discussion. Chair Zemaitis requested a copy of Chapter 2, Procedures, 02.10.20, Page 6 of 8 of the CUSAS package inasmuch as his office did not receive same. Member Hammond noted this package was released on July 1, 1991. Chair Zemaitis noted for the record the Board's concerns were covered.

**NEW BUSINESS:**

**Discussion Item: Peer Review Committee Appointments:**

Chair Zemaitis announced nominees from SIAM for SIAAB Board Peer Review Committees recommended by James Donkin, Chairperson of the State Internal Audit Managers Group, who discussed his nominations with each individual concerned, and they accepted their nominations. The nominees are:

**Report Acceptance Committee:**

(2 yr. Term) Nancy Hilger, Dept. of Commerce and Community Affairs

(1 yr. Term) Jack Schoonover, Western Illinois University

(1 yr. Term) Leonard "Len" Beck, Dept. of Mental Health

Performance Committee:

(2 yr. Term) Mark Krell, Dept. of Corrections

(1 yr. Term) Jeff Cooley, Eastern Illinois University

(1 yr. Term) Sharon Stapleton, Capital Development Board

Chair Zemaitis announced nominees for the Executive Committee are Richard Traver, University of Illinois and James R. Donkin, Ill. Dept. of Public Aid, who accepted their respective nominations.

Chair Zemaitis then opened the floor for volunteers and nominations for the remaining positions on the committees, and the following nominees accepted their nominations:

Report Acceptance Committee:

(3 yr. Term) William Winberg, Central Management Services

(2 yr. Term) Sharon Stanford, Ill. State University

Performance Committee:

(3 yr. Term) Terry Radliff, State Employees' Retirement System

(2 yr. Term) Art Keegan, Office of the Treasurer.

Member Cain moved to close nominations; seconded by Member Omer; no further discussion; motion unanimously carried to accept nominees for State Internal Audit Advisory Board Peer Review Committees.

Chair Zemaitis urged the members of the Peer Review Committees to meet and elect a chairperson for their respective groups and to notify the Board.

### Next Discussion Item: Peer Review Guidelines Committee

Chair Zemaitis opened the floor for discussion of the formation of a Peer Review Guidelines Committee. He asked if the Peer Review Performance Committee members could handle this task. Members Radliff and Keegan accepted the task of preparing the Peer Review Guidelines. Members Radliff and Keegan agreed to have the Peer Review Guidelines ready in final form prior to the training session being held in September, 1992.

### ANNOUNCEMENTS:

Chair Zemaitis distributed to the Board Members (for their information) copies of the Department of Taxation's Internal Accounting and Administrative Controls, which was mandated by executive order of the Governor of Ohio on 4/16/92. This annual certification program is mandated to the various agencies.

Chair Zemaitis distributed copies of a memorandum and Survey of Opinion on Model Internal Audit Legislation for State Government sent to him by John Huston. John Huston was contacted for comments by Sam McCall, Deputy Auditor General of the State of Florida and IIA Government Relations Committee Member.

Chair Zemaitis asked the Board Members to review this survey in depth and provide their comments to him at their earliest convenience as responses are due by 5/22/92.

Chair Zemaitis relinquished the floor to Member Omer who reported on his inquiry to Jim Reid, of the Office of the Attorney General, for an opinion, if the flexibility of holding committee meetings by correspondence would meet the intent of the Open Meetings Act. Member Omer reported that the informal opinion of the attorney general is, in essence, "no". Furthermore, the opinion stated you can discuss issues, but you cannot hold meetings over the telephone or with correspondence. Member Omer read, in part, the informal opinion of the Attorney General as researched by Mr. Lucas as, ". . . It appears that correspondence meetings in continuing in conducting Peer Review business within Peer Review committees would not comply with the spirit, if not, the letter of the Open Meetings Act." Member Omer further reported that he (Mr. Lucas) understood the purpose and structure of the Peer Review and he considered our committees as a "separate public body"; therefore, all of SIAAB's committee work is subject to the Open Meetings Act. No further discussion was had.

Chair Zemaitis asked for any additional announcements. There were none.

Member Omer informed the Board he would make the approved changes in the Peer Review By-Laws and send to Chair Zemaitis for distribution.

Chair Zemaitis entertained a motion to adjourn. Member Cain so moved; seconded by Member Traver. Meeting adjourned at 11:08 a.m.

June '92

mtg ?

# MINUTES OF THE STATE INTERNAL AUDIT ADVISORY BOARD MEETING

JULY 14, 1992

The regular monthly meeting of the State Internal Audit Advisory Board was held on the above date in the Willard Ice Building, Level 6NE, South Training Room, 101 W. Jefferson, Springfield, Illinois.

Chairperson Ben Zemaitis called the meeting to order at 9:44 a.m. with a quorum present, calling the Roll Call. The following members were present:

Ben Zemaitis, Chairperson, Department of Revenue  
Richard Traver, Vice Chairperson, University of Illinois  
Ronald E. Omer, Office of Comptroller  
Terry E. Radliff, State Employee Retirement System  
William Winberg, Central Management Services  
John Cain, Secretary of State

## Guest Observers:

James Donkin, Department of Public Aid  
Galie Traylor, Department of Revenue  
Ed Taylor, Department of Conservation, sitting in for  
Bradley Hammond

## Absent:

Bradley W. Hammond, Department of Conservation  
Art Keegan, Office of Treasurer  
James S. Reid, Office of Attorney General  
Sharon Stanford, Illinois State University

## Discussion Item: Review of May 12, 1992 and May 19, 1992 Board Minutes:

Chair Zemaitis opened the floor for review and discussion of minutes, presenting May 12, 1992 minutes of the regular monthly meeting of SIAAB. Chair Zemaitis asked for any additions, corrections or deletions. There being none, Chair Zemaitis asked for a motion to accept the May 12, 1992 SIAAB minutes as presented; motion was made by Member Omer and seconded by Member Winberg. May 12, 1992 SIAAB minutes were unanimously approved by the Board Members.

Chair Zemaitis presented the May 19, 1992 minutes of the Special SIAAB Meeting which dealt with the draft of Model Internal Audit Legislation for State Government proposed by the Institute of Internal Auditors. Chair Zemaitis called for any additions, deletions or corrections. There being none, Chair Zemaitis called for a motion to accept the minutes as they were presented. Member Omer moved to accept said minutes as they were; Member Winberg seconded the motion. No further discussion was held and the minutes were unanimously approved by Board Members.

## OLD BUSINESS

### Discussion Item: Model Internal Audit Legislation for State Government proposed by the Institute of Internal Auditors

Chair Zemaitis opened the floor for discussion of the latest draft of the above referenced proposal of the Institute of Internal Auditors, copy of which was sent to each Board Member. This latest draft was prepared during the International Committee meetings of the IIA held in Phoenix, Arizona in June, 1992. Discussion was held. Chair Zemaitis noted the SIAAB's comments were taken into consideration and this latest draft reflects the consensus of the Institute's International Government Relations Committee. Chair Zemaitis called for additional comments, and there being none, so closed this item into the files.

## NEW BUSINESS

### Discussion Item: Peer Review Guidelines Development

Chair Zemaitis noted for the record that Member Terry Radliff was elected chair of the Peer Review Performance Committee.

Chair Zemaitis relinquished the floor to Member Radliff for his report regarding the Committee's proposed Peer Review Guidelines. Member Radliff reported the Committee examined FCIAA Section and drafted minimum testing requirements to assure that the intent and spirit of the FCIAA was being performed in each of the agencies that were going to have a peer review process.

The Committee then examined the different standards from the IIA Guidelines and separated them into five basic sections. Member Radliff noted Section 100 was missing in this draft, but would be provided at a later date.

Member Radliff opened the floor for discussion regarding the Committee's draft of the Peer Review Guidelines. A discussion took place. Member Radliff stated he would provide Board Members with the missing Section 100. It was the consensus of the Board Members that they will provide Peer Review Performance Committee Chair Terry Radliff with their comments within two weeks. Member Radliff agreed to call a committee meeting to review and prepare a second draft of the Peer Review Guidelines for review, discussion, and approval of the Board at their August 11, 1992 meeting.

#### Next Discussion Item: Peer Review Training

Chair Zemaitis reported he was informed by Bill Coons, First Vice President of the Springfield Chapter of the Institute of Internal Auditors, that the Springfield Chapter was concerned about whether or not there will be enough participation to cover the costs of the Peer Review training on a break-even basis. If this is not possible, they may not be able to conduct the peer review training. Chair Zemaitis opened the floor for discussion of this issue. Member Omer reported that as an outgoing president of the Springfield Chapter of the IIA, he was asked by Sharon Stanford and the IIA Board to write to Don Nelson regarding costs of the training. Member Omer reported the base fee is \$4,000.00 plus normal and reasonable travel expenses and \$15.00 to \$20.00 per attendee for manual and standards book has been negotiated by Member Stanford. Therefore, the approximate cost per each attendee would be \$250.00 to \$260.00 total and the total number of attendees needed would be 24. Member Winberg agreed to check into whether there were any funds available to help defray the costs of the peer review training should the goal of 24 attendees not be reached.

It was unanimously decided by the Board Members that Chair Zemaitis would discuss with Bill Coons to initiate a head count of individuals who would be attending the training sessions. Chair Zemaitis also noted he has an alternate plan. John Huston, of the Commonwealth of Virginia, would be willing to conduct the peer review training at no charge, but would require that his travel expenses be paid. There being no further discussion, the Board moved to the next discussion item.

#### Next Discussion Item: Recruiting for Peer Reviews

Chair Zemaitis inquired of James Donkin, as Chairperson of the State Audit Managers Group, if he would send a bulletin to the populace announcing the peer review training, asking for submission of names of individuals who would be attending the training, and who would be participating in the peer reviews. James Donkin agreed he would send the bulletin.

The question of whether CPD credits would be given for conducting peer reviews was brought up by Member Radliff. Chair Zemaitis offered to obtain information regarding CPD credits. Chair Zemaitis would call the IIA and inquire about CPD credits for both programs and provide said information to James Donkin to be included in the bulletin.

It was unanimously approved by the Board Members that James Donkin, as Chair of the State Internal Audit Managers Group, would issue a bulletin to the members announcing the peer review training and ask for submission of names of individuals who would be willing to participate in conducting peer reviews, and attend the training session in September.

#### Next Discussion Item: Peer Review Time Table

Chair Zemaitis opened the floor for discussion regarding the time frame needed to launch the peer review program. It was the consensus of the Board Members that a target date for beginning the peer review program will be November 1, 1992. The peer reviews on the volunteers would be conducted in a five year cycle and when the list is exhausted, then the Board would proceed to select mandatory peer reviews.

James Donkin clarified his task on issuance of the bulletin to the members. He would solicit participation in the peer review training at a cost of approximately \$250.00 to \$270.00 (Said training to be held September 9, 10, & 11, 1992, 2-1/2 days.), names of people that they will offer to perform reviews with the hope that they can qualify for CPD credits. This was reconfirmed by the Board Members.

Member Radliff clarified he would be receiving the Board Members' comments on the proposed Peer Review Guidelines within two weeks. No further discussion was held.

#### **ANNOUNCEMENTS**

Chair Zemaitis announced Member Traver would be chairing the August 11, 1992 meeting to be held in the Willard Ice Building.

Chair Zemaitis also announced that SB 1939 which basically allows that audits performed by the Auditor General to be charged to about 240 funds within the State. The Governor's Office is inquiring of State Agencies the costs of the Auditor General's audits.

There being no further discussion, Chair Zemaitis called for a motion to adjourn. Member Cain so moved; seconded by Member Omer; Board Members unanimously approved said motion. Meeting adjourned at 11:00 a.m.

MINUTES OF THE STATE INTERNAL AUDIT ADVISORY BOARD MEETING

AUGUST 11, 1992

The regular monthly meeting of the State Internal Audit Advisory Board was held on the above date in the Willard Ice Building, 101 W. Jefferson, Level 6 NE, South Training Room, Springfield, Illinois. In the absence of Chairperson, Ben Zemaitis, Vice Chairperson, Richard O. Traver, called the meeting to order at 9:38 a.m. with a quorum. Roll Call was held and the following members and guests were present:

Members:

Richard O. Traver, Vice Chairperson, University of Illinois  
Ronald Omer, Office of Comptroller  
Terry Radliff, State Employees Retirement System  
William Winberg, Central Management Services  
John Cain, Secretary of State  
Bradley Hammond, Department of Conservation

Guest Observers:

John Baldini, State Treasurer's Office, sitting in for Art Keegan  
James Donkin, Department of Public Aid  
Galie E. Traylor, Department of Revenue  
Sandy Andrighetti, Teachers Retirement System  
Keith Burklow, Dept. of Financial Institutions  
Bill Coons, Department of Professional Regulation  
Julie Eggiman, Dept. of Public Health  
Barry Greenberg, SIU Edwardsville  
Stuart Gresham, Environmental Protection Agency  
John Kanatanka, DASA  
Fred Lehrman, III. Housing Development Authority  
Wayne McMillan, Dept. of Transportation  
Gary Norton, III. Dept. of Mines and Minerals  
Janet Taylor-Wilson, III. Dept. of Employment Security

Absent:

Ben Zemaitis, Chairperson, Dept. of Revenue  
Art Keegan, Office of State Treasurer  
Sharon Stanford, III. State University  
James Reid, Office of Attorney General

Discussion Item: Review of July 14, 1992 Board Minutes:

Vice Chair Traver opened the floor for discussion and approval of the July 14, 1992 minutes of the regular monthly meeting of SIAAB. Vice Chair Traver asked for discussion or corrections to the minutes. Member Omer moved the minutes be approved; seconded by Member Cain; motion carried. Minutes were unanimously approved by the Board.

## OLD BUSINESS

### Discussion Item: Peer Review Guidelines:

Vice Chair Traver relinquished the floor to Peer Review Performance Committee Chairman, Terry Radliff for a report regarding final draft of the short program of the Peer Review Guidelines. Committee Chair Radliff reported he incorporated almost all of the suggested changes and comments of the Board Members previously submitted to him. He also reported he included Section 100, Independence, under the Professional Proficiency heading. Vice Chair Traver noted the objective of the meeting was to have Board approval on the final draft guidelines so when it is sent to Don Nelson, it will be representative of the guidelines with which we will be working on the Peer Reviews. This would give him an idea of the direction we will be taking.

Vice Chair Traver opened the floor for discussion of the final draft of the Peer Review Guidelines. Member Omer moved to adopt the short program of the Peer Review Guidelines; said motion was seconded by Member Winberg; the final draft of the Peer Review Guidelines was unanimously approved by the Board Members for distribution to Don Nelson and to be used as guidelines for the training session. Vice Chair Traver called for discussion on the motion. There being none, said motion was unanimously approved.

### Discussion Item: Training Session for September 9, 10, & 11, 1992

Vice Chair Traver called for finalization of the training session for September 9, 10, & 11, 1992 which will be conducted by Don Nelson. Vice Chair Traver reported James Donkin, Chairperson of the State Internal Audit Managers Group conducted a written survey for a headcount of the individuals who planned to attend this session. At this time, the approximate number of persons who have committed to attend the session is 20. Mr. Donkin reported he is reasonably certain these 20 individuals will attend the session.

Vice Chair Traver inquired of the Board Members if there was any reason, with the headcount of 20 people, why the Board and Springfield Chapter of the Institute of Internal Auditors should not proceed with the finalization of the plan to have Don Nelson conduct the Peer Review Training Seminar on September 9, 10, & 11, 1992. A discussion ensued.

Vice Chair Traver reiterated the Board Members desired he send Member Sharon Stanford (who is chairing this project) the number of people interested in attending the seminar and inform her to proceed with the finalization of arrangements. The Board would proceed with finalization of the commitments and the Board Members are comfortable with the number of people interested.

Member Omer moved the Board agreed to make a commitment to the Springfield Chapter of the IIA to conduct the training seminar on a break-even basis at no risk to the Springfield Chapter.

Member Omer reported that he received a FAXED request from Diane M. Colgan, Coordinator, Quality assurance Review Service of the Institute of Internal Auditors for additional information and needs of Don Nelson to conduct his presentation. He forwarded this request to William "Bill" Coons, the current first vice president of the Springfield Chapter of the IIA with copies to appropriate persons.

Guest Observer Jim Donkin and Member Hammond volunteered to provide information to Bill Coons, for a special mailing to attendees and potential attendees.

Discussion of the cost of the seminar was held and Vice Chair Traver stated, for the record, the Board was unanimously in agreement to go ahead with the training session on September 9, 10, & 11, 1992 and the Springfield Chapter of the Institute of Internal Auditors is being informed it will be on a break-even basis in that, from the Board's point of view, it does not expect the Springfield Chapter to fund any of it.

Member Winberg interjected a discussion should be held regarding possibility of cancellations. Discussion ensued and it was the consensus of the Board Members to charge \$275.00 for the training session and to obtain firm commitments from interested individuals by way of sending them registration forms with a deadline date for registering.

Vice Chair Traver opened the floor for any further discussion of old business or new business.

Member Winberg noted (and affirmed by Vice Chair Traver) that CPE hours credit would be given for the training as well as conducting the Peer Reviews.

Vice Chair Traver called for any new business and recognized Guest Observer Stuart Gresham, Environmental Protection Agency. He noted an issue regarding some internal audit managers who are subject to term appointments and that every four years, they are subject to re-appointments. He further noted this is not equitably applied throughout the State Government. He proposed the Board should consider this an issue. Vice Chair Traver noted this issue has previously been discussed by the Board and called for any comments or discussion.

Member Winberg suggested to pursue that with Central Managements Services Personnel Department as far as actual guidelines and also the results of the Rutan situation. He further stated there are some agencies that are exempt and some who are not exempt. Basically it comes down to those who are federally funded; and those who are not federally funded are applicable to internal appointments.

Vice Chair Traver called for any further business before the Board; there being none, he called for a motion to adjourn. Motion to adjourn made by Member Winberg and seconded by Member Cain. Motion unanimously carried; Board adjourned at 10:30 a.m.

No Board

Meeting

September, 1992

October 13, 1992

The regular monthly meeting of the State Internal Audit Advisory Board (SIAAB) was held on October 13, 1992 in the Willard Ice Building, 101 W. Jefferson, Level 6NE, South Training Room, Springfield, Illinois. Chairperson Ben Zemaitis called the meeting to order at 9:35 a.m. with a quorum. The following members were present:

Benedict R. Zemaitis, Chairperson, Department of Revenue  
Richard O. Traver, Vice Chairperson, University of Illinois  
Ronald Omer, Office of Comptroller  
Terry Radliff, State Employees Retirement system  
William Winberg, Central Management Services  
Bradley Hammond, Department of Conservation

Guest Observers:

James Donkin, Department of Public Aid  
Galie Traylor, Department of Revenue

Absent:

Sharon Stanford, Ill. State University  
Art Keegan, Office of Treasurer  
James S. Reid, Office of Attorney General  
John Cain, Secretary of State

DISCUSSION ITEM: Review of August 11, 1992 Board Minutes:

Chair Zemaitis opened the floor for review and discussion of August 11, 1992 Board minutes. Chair Zemaitis asked for any additions, corrections, or deletions. Member Omer noted on Page 2, last paragraph that William "Bill" Coons is the First Vice President of the Springfield IIA, not president. Correction so noted and made. Member Omer then moved for approval of August 11, 1992 Board Minutes as corrected; motions was seconded by Member Winberg; there being no further discussion, said minutes were unanimously approved as corrected.

Chair Zemaitis noted for the record James Donkin, Dept. of Public Aid arrived after roll call

**OLD BUSINESS**

Discussion Item: Peer Review Guidelines Development

Chair Zemaitis noted the short version of the Peer Review Guidelines were previously approved by the Board. He also noted the Board By-Laws provide for an option to the agencies to choose a long version of peer review, if they wish. Chair Zemaitis relinquished the floor to Member Radliff for his report on the draft of the long version of the Peer Review Guidelines. Member Radliff reported he and his subcommittee used the program Member Traver prepared for the universities and IIA. He suggested distribution to the members for them to review and make a formal adoption at the next meeting.

A discussion regarding an expression of "overall review opinion" in the Peer Review report took place. Member Hammond moved the official consensus of the Board was as follows:

"The purpose of the Peer Review is to make constructive suggestions for improvement of the efficiency and effectiveness of the internal audit compliance with audit standards and state law and not to express an overall opinion. Therefore, an overall opinion will not be made in a Peer Review Program."

Said motion was seconded by Member Winberg. Chair Zemaitis asked for any further additions, comments or discussion; there being none, said motion was unanimously approved by the Board.

Chair Zemaitis urged Board Members to direct any comments or suggestions to Terry Radliff between now and the November meeting to enable him to incorporate any suggested changes in the draft of the long version of the Peer Review Guidelines prior to presentation for approval at the November Board meeting. Chair Zemaitis thanked Member Radliff for his work on these guidelines.

#### Next Discussion Item: Recruiting Peer Reviewers

Chair Zemaitis opened the discussion regarding recruitment for peer reviewers by suggesting two alternative ways. First alternative would be to place all interested individuals into one pool. The second alternative would be to form two separate pools: one pool of individuals qualified to be Peer Review team leaders; the second, for individuals who would serve as team members. Chair Zemaitis then opened the floor for discussion on how the Board wishes to approach the issue. Specific qualifications of individuals conducting the peer reviews were discussed.

Chair Zemaitis inquired of Member Winberg if he could head a subcommittee to prepare recommendations on what qualifications are required to be met by individuals serving in the peer review groups. Chair Zemaitis also noted for the record that the heads of the organizations will be volunteering people to the Performance Committee who will be selecting from the pool. Some of the qualifications of the members of the pools would be according to the Board By-Laws and the Board has the prerogative to establish what some of the qualifications are and give the Performance Committee guidelines on how to conduct their picks. He asked Members Winberg and Omer to draft a proposal regarding this issue to be presented to the Board at their next meeting.

The consensus of the Board Members was to table the decision on criterion for qualifications of the peer reviewers until next meeting when Members Winberg and Omer will present a draft of the qualifications for Board approval. It was also agreed by the Board Members that a list of the attenders of the peer review training sessions sponsored by the Springfield Chapter of the IIA would be furnished to Jim Donkin. Chair Zemaitis volunteered three people with supervisory experience from his office to be added to the list of volunteers. Jim Donkin will wait until next meeting until the qualifications and guidelines for the peer review volunteers is established before distributing an application form to the list of volunteers.

#### Next Discussion Item: Peer Review Program Time Table

Chair Zemaitis opened the floor for discussion of the Peer Review Program Time Table. It was noted Fred Lehrmann of Housing and Development in Chicago volunteered to have a peer review conducted on his office in 1993, Jim Donkin of Public Aid and Member Winberg of Central Management Services also volunteered to have a peer review performed in 1993 on their offices. A discussion ensued and the consensus of the Board Members was a few peer reviews should be conducted and then start scheduling long term reviews after that. Chair Zemaitis called for any other issues which needed to be addressed; there being none, the discussion was closed.

#### Next Discussion Item: Announcements

Chair Zemaitis called for any announcements. Member Traver announced the Question/Answer Checklist he distributed is to help determine the scope of the peer review. It is for the Board's information. He also announced Kathy Burns has resigned from the Urbana Campus Director's position and the University is advertising in the Chronicle for Higher Education and he will attempt to get an advertisement in the Springfield Sunday paper. November 14, 1992 is the deadline for applications. He also announced the Auditor General's office, in addition to his compliance audit they are doing on the University this year is focusing on the Data Processing Department and part of that is looking at the EDP audit function and they have determined Member Traver is understaffed. He is going to obtain a recommendation in the Compliance Audit to increase his staff in the EDP Audit. Member Traver stated they wanted to increase it by two individuals.

Chair Zemaitis called for additional announcements and/or comments; there being none he then called for a motion for adjournment. Motion so made by Member Omer, seconded by Member Hammond; motion unanimously carried and meeting was adjourned at 10:55 a.m.

# MINUTES OF THE STATE INTERNAL AUDIT ADVISORY BOARD MEETING

November 10, 1992

The regular monthly meeting of the State Internal Audit Advisory Board (SIAAB) was held on November 10, 1992 in the Willard Ice Building, 101 W. Jefferson, Level 6NE, South Training Room, Springfield, Illinois. Chairperson Ben Zemaitis called the meeting to order at 9:32 a.m. with a quorum. The following members were present:

Benedict R. Zemaitis, Chairperson, Department of Revenue  
Ronald Omer, Office of Comptroller  
Terry Radliff, State Employees Retirement System  
William Winberg, Central Management Services  
Sharon Stanford, Illinois State University  
Jim Reid, Attorney General

## Guest Observers:

Stan Brown, Office of Treasurer, sitting in for Art Keegan  
Ed Taylor, Department of Conservation, sitting in for Bradley Hammond  
Galie Traylor, Department of Revenue

## Absent:

Art Keegan, Office of Treasurer  
Bradley Hammond, Dept. of Conservation  
Richard O. Traver, Vice Chairperson, University of Illinois

## **DISCUSSION ITEM: Review of October 13, 1992 Board Minutes:**

Chair Zemaitis opened the floor for review and discussion of October 13, 1992 Board Minutes. He asked for any additions, corrections or deletions. There being none, Member Omer moved for approval of the October 13, 1992 Board Minutes; said motion seconded by Member Radliff; motion unanimously carried.

## OLD BUSINESS

## **DISCUSSION ITEM: Recruiting Peer Reviewers (Reviewer Qualifications) Wm. Winberg/Ronald Omer**

Chair Zemaitis relinquished the floor to Members Omer and Winberg, who reported their findings and recommendations for peer reviewer qualifications. Member Winberg reported he and Member Omer researched several aspects and drafted a proposal using AICPA. By way of background explanation, Member Winberg stated AICPA's framework of peer review is a mandatory requirement. Consequently, when they have a peer review, it is issuing an opinion. AICPA extensively covers issues about the qualifications of peer reviewers and the peer review program.

Members Winberg and Omer recommended minimum qualification requirements for peer reviewers participating in the program because it has yet to be initiated and no one has yet gone through a peer review.

Members Winberg and Omer distributed drafts of a three-phased approach consisting of:

- 1) Education and Skill Requirement Experience;
- 2) Peer Review Training; and
- 3) Professional Standards.

Members Winberg and Omer formally moved the Minimum Qualifications for Peer Review Team Members proposal be adopted. They suggested the Board discuss project leaders' qualifications and future training for peer reviewers.

Chair Zemaitis asked for comments/questions. A discussion ensued regarding timeframes for updating qualifications and training of future peer reviewers. The motion for approval of the Minimum Qualifications for Peer Review Team Members proposal as written and submitted by Members Winberg and Omer was seconded by Member Stanford; said motion was unanimously approved.

Also, the Board's consensus was the Minimum Qualifications for Peer Review Team Members, authored by Members William Winberg and Ronald Omer be officially approved by the Board by dating the document and writing "Approved by the State Internal Audit Advisory Board" on it. Chair Zemaitis will forward said document to Jim Donkin, Chairperson of the State Internal Audit Managers Group for distribution to the membership.

#### **NEXT DISCUSSION ITEM: Peer Review Guidelines Development, Long Version.**

Chair Zemaitis relinquished the floor to Terry Radliff for his report on the development of the long version of the Peer Review Guidelines, copies of which were distributed to the Board Members. Member Radliff reported the framework of his draft was based on Vice Chair Richard Traver's version. This version, according to Member Radliff, was written with annotated proposed changes. The Board's consensus was the draft be reviewed by them and any comments or suggestions be forwarded to Member Radliff on or before November 20, 1992. Member Radliff agreed to work with Member Richard Traver in final preparation of the draft of the document for distribution to the Board Members and Jim Donkin prior to the December 8, 1992 meeting.

#### **NEXT DISCUSSION ITEM: Peer Review Timetable**

Chair Zemaitis opened the floor for discussion of the timetable for the Peer Review schedule. It was noted Member Winberg, CMS, Jim Donkin, Public Aid, and Fred Lehrmann, Housing Authority (Chicago) volunteered for the initial peer reviews.

It was the consensus of the Board that a specific plan be established by February, 1993 for notifying the agencies and providing necessary information to team leaders and members. Upon completion of the foregoing, the first review should take place April, 1993.

#### **ANNOUNCEMENTS**

Chair Zemaitis announced he received a report digest from the Auditor General, published a week ago, citing one agency as follows:

"The Department's internal auditing program did not meet all the requirements of the Fiscal Control and Internal Auditing Act. Only two of ten major control systems were covered during 1990-1991." Chair Zemaitis further stated that this suggests the Auditor General is taking a closer look at the auditing programs regarding the coverage.

Chair Zemaitis asked for any further announcements, comments, etc. There being none, he called for a motion to adjourn. Motion to adjourn made by Member Omer, seconded by Member Stanford, motion carried; meeting adjourned at 10:14 a.m.

# MINUTES OF THE STATE INTERNAL AUDIT ADVISORY BOARD MEETING

December 8, 1992

The regular monthly meeting of the State Internal Audit Advisory Board (SIAAB) was held on December 8, 1992 in the Willard Ice building,, 101 W. Jefferson, Level 6NE, South Training Room, Springfield, Illinois. Chairperson Ben Zemaitis called the meeting to order at 9:38 a.m. with a quorum. The following members were present:

Benedict R. Zemaitis, Chairperson, Dept. of Revenue  
Richard Traver, Vice Chairperson, University of Illinois  
Terry Radliff, State Employees Retirement System  
Ronald Omer, Office of Comptroller  
John Cain, Office of Secretary of State  
James Reid, Office of Attorney General  
Bradley Hammond, Dept. of Conservation

## Guest Observers:

Stan Brown, Office of Treasurer sitting in for Art Keegan  
James R. Donkin, III. Dept. of Public Aid  
Galie E. Traylor, Dept. of Revenue

## Absent:

Sharon E. Stanford, Ill. State University  
William B. Winberg, CMS  
Art Keegan, Office of Treasurer

## **DISCUSSION ITEM: Review of November 10, 1992 Board Minutes:**

Chair Zemaitis opened the floor for review of November 10, 1992 Board Minutes. He asked for any additions, corrections or deletions. There being none, Member Radliff moved for approval of said minutes, said motion seconded by Member Traver, minutes unanimously approved by the Board Members.

## **OLD BUSINESS**

## **DISCUSSION ITEM. PEER REVIEW GUIDELINES DEVELOPMENT - Terry Radliff**

Chair Zemaitis expressed the Board's appreciation to Members Terry Radliff and Richard Traver for their work in the preparation of the Peer Review Guidelines Draft. He then turned the meeting over to Member Radliff to proceed with perusal of the document page by page.

Let it noted by the Chair that James Donkin and Bradley Hammond were late arrivals.

Member Radliff opened the floor to for the page by page examination of the Peer Review Guideline document.

The Board Members proceeded, page by page, to examine, discuss and adopt appropriate changes of the draft.

Chair Zemaitis called for further discussion and/or comments on the "Peer Review Program for All Internal Audit Departments for State Agencies" guidelines. There being no further discussion, Member Cain moved the document be approved as amended; said motion was seconded by Member Omer; motion unanimously carried by the Board Members.

The Board Members also unanimously agreed that after the changes were made to the document, copies would be distributed.

#### **NEXT DISCUSSION ITEM: Peer Review Training**

Chair Zemaitis reiterated his contact person, John Huston, of the State of Virginia, heads an agency which does the peer reviews in Virginia. He will tentatively be here in Springfield, on January 7 or 8, 1993 for a full day of peer review training; a practical walk-through on how it is done in Virginia. They follow IIA guidelines. Chair Zemaitis will confirm exact dates and time tomorrow, December 11, 1992. He also noted Member Winberg of CMS has committed to pay his travel expenses. Chair Zemaitis stated once the date is locked in, announcement of the training to State Internal Audit Managers Group will have to be made, a location site for training obtained and CPD credits established. He will contact IIA for CPD credit hours.

Chair Zemaitis opened the floor for suggestions on a no-charge location site for the training. Member Hammond volunteered to find a location for training and Chair Zemaitis will handle accommodations for the speaker.

Chair Zemaitis called for any other discussion or comments. Further discussion regarding registration forms and resumes for participants in the peer review process was had. Member Radliff volunteered to prepare the necessary forms.

Jim Donkin inquired if the Board Members wanted to try out a peer review on any one else prior to the scheduled April, 1993 one. James Donkin volunteered to have a complete peer review conducted his department during January and February, 1993.

#### **ANNOUNCEMENTS**

Chair Zemaitis announced the January 12, 1993 SIAAB meeting will be held in the Willard Ice Building in a different room. Board Members should meet in the Internal Audit Office area and proceed to the Conference Room in Legal Department on the Fifth Level.

Chair Zemaitis called for any other announcements, discussion items. There being none, he asked for motion to adjourn. Motion to adjourn made by Member Omer, seconded by Member Cain; motion unanimously carried. Meeting adjourned at 11:28 a.m.