

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

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

**MINUTES**

**Board Meeting- January 8, 2013**

**1:00 p.m.**

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**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 1:02 p.m. by Stephen Kirk, Chair.

**ROLL CALL**

**Members Present/Location:**

Stephen Kirk, (Chair), Illinois Department of Transportation–Springfield  
Douglas Hathhorn (Vice Chair) Illinois Department of Revenue- Springfield  
Amy Walter, Central Management Services-Springfield  
Stell Mallios, Office of Secretary of State- Chicago  
Lesslie Morgan-Office of the Attorney General- Springfield  
Nick Barnard for 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

**Members Absent**

Jane Cullen, Illinois Department on Aging

**MINUTES**

The December 12, 2012, meeting minutes were presented to the Board for discussion and approval. Ms. Morgan suggested certain changes to the minutes. A motion was made by Ms. Morgan and seconded by Mr. Nick Barnard (Representative for Barb Ringler) to accept the December 12, 2012 minutes as amended. The motion carried unanimously.

## **REPORTS AND UPDATES**

### **CPE Coordinator**

Ms. Zemaitis reported that one person registered and completed the training course. Kelvin Coburn of the Illinois Department of Transportation completed the training course and was awarded CPE on January 7, 2013.

Ms. Zemaitis made draft changes to the training program to reflect the 2013 changes to the IIA Standards. She noted that there were no substantive changes to the IIA Standards so not a lot changed. The draft is ready to be tested and Ms. Zemaitis asked for any volunteers to test the system before the next meeting and Ms. Walters, Mr. Allen and Ms. Morgan volunteered

Ms. Zemaitis also asked that since the changes were not substantive from the 2011 version, if someone took that training and received CPE for it are they also eligible for CPE for the 2013 version if they take that training. Chair Kirk asked on a related matter, since there were no substantive changes, will SIAAB require QAR Reviewers to take and pass the 2013 version if they have already taken and passed the 2011 version.

Ms. Zemaitis stated she would look at Government Auditing Standards guidance and see what it states about CPE.

Ms. Morgan stated that SIAAB determines whether they believe they are substantive changes. With the IIA looking at changes every two years SIAAB may wish to adopt a policy regarding this.

Ms. Zemaitis stated that a couple other QAR related changes would be necessary to the QAR Matrix and related documents because of the changes to the IIA Standards and she will be making those. She further stated that as has been the practice in the past, she will contact the Institute of Internal Auditors for permission to use the references to the IIA Standards since we state those verbatim.

Ms. Zemaitis stated that she renewed the permission for SIAAB to issue CPE with the Illinois Department of Financial and Professional Regulation (DFPR). However, she did not receive the certification it went to Ms. Lisa LaBonte instead. Ms. LaBonte was the previous CPE Coordinator when she was on SIAAB. SIAAB through the Chair will need to send a request to DFPR and have the contact changed to Ms. Zemaitis and have the certificate reissued with her name. DFPR requires this request to be in writing.

Ms. Zemaitis stated that she will draft a letter to be signed by the Chair to send out to DFPR as soon as possible.

### **FOIA**

Mr. Barnard reported Ms. Ringler had nothing to report.

Ms. Zemaitis stated FOIA Officers are required to complete the Open Meetings Act and FOIA training annually and newly appointed members are required to take them within 90 days of their appointment. This requirement was added last January. Ms. Ringler and Ms. Walter are the FOIA officers. Mr. Shadid noted he still needs to take the training as well but he still has time as the 90 days has not past yet since his appointment. Ms. Zemaitis stated that she is not sure if this requirement was added to the SIAAB By-Laws but if not it should be so everyone is aware of the requirement.

Ms. Morgan noted that both the FOIA and Open Meetings Act Training courses have been revised so they would contain some new information. It probably would be a good idea for everyone to take the new training.

### **Guidance Coordinator**

Ms. Morgan reported that no new requests have been received.

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

Chair Kirk reported that the State Board of Education had informed him their QAR is still in progress. They are waiting to schedule some time with the Validator in January as December was not possible due to personnel taking time off.

### **New Business**

Ms. Walter reported that Mr. Dodd and Ms, Zemaitis need to complete their applications to renew their terms.

Vice Chair Hathhorn reported that the SIAAB Conference for next year has been scheduled for October 29-30, 2013. These dates have been reserved at Northfield Center but the Institute of Internal Auditors Springfield Chapter has not signed a contract yet. Ms. Walter noted that the Chapter does not usually sign the contract until the new officers take over in the spring.

Mr. Shadid stated that he would like to talk about GAAP procedures and the Financial Reporting Standards Act. He stated he thought there should be a standard audit program that everyone uses. Mr. Hathhorn stated one problem is there hasn't even been a Board appointed yet so we do not know what the Board will want as far as scope of work. Mr. Shadid stated that he believed it still might be a good idea for SIAAB to come up with a standard audit program.

Chair Kirk noted this was brought up at the training conference because some Chiefs noted they planned to conduct a GAAP audit even if it was not required this year.

Ms. Morgan asked Mr. Allen if he knew the current status of the Board. Mr. Allen stated that the Comptroller had developed a list of names for their positions to be submitted to the Senate for approval. However, he was not sure where the Governor was at with their appointments.

Ms. Morgan noted that the Board will be establishing the Guidelines. Once those are put into place, maybe SIAAB can address what is required through training. SIAAB could look over that process and see if there are any issues that need to be raised with the Comptroller.

Ms. Walters stated some agencies are going ahead with a GAAP review.

Mr. Shadid stated he would be worried about the scope because he would not want to disclose more than was required in the report.

Ms. Morgan stated the agency could cover more than what was required by the Board in the audit and just release in a separate report to the Board the information they need. Nothing would preclude the audit shop from tying the Board's required work to another audit.

Mr. Shadid stated he concurred that a separate report only stating the information the Board needed could be released. This would protect the confidentiality of any other work that is not intended to be public information. Mr. Shadid stated that the work that will be required by the Board sounded a lot like what is required for a Federal control review. Mr. Shadid stated that SIAAB could gather any comments for agencies and ask the Comptroller to comment on those.

Mr. Allen stated that there was a lot of ticking and tying features added to the WEDGE System. He believes one of the major points the Board will be interested in is how good the numbers are. Does the agency have documentation that supports the numbers that were reported? That is something the Comptroller can't see so that would be helpful for the Internal Auditors to review at their agencies. Look at the source documentation and the source of information coming from the agency's internal systems that are then reported into WEDGE.

Chair Kirk noted that some are not really errors but are due to estimates. Mr. Hathhorn stated he agreed with that. He further stated that often times the Auditor General asks for estimates for certain areas early in the process, then they wonder why they don't match exactly to actual.

Mr. Shadid stated his concern was whether the people actually appointed to the Board would understand State accounting and reporting.

Mr. Allen stated he believed one requirement for the Board that the Comptroller was using is that the person be a CPA or very familiar with State Financial Reporting. Mr. Allen stated he believed there was a concern that anyone could be appointed even a banker or an insurance person or an accountant that may not understand government accounting but these concerns can be addressed in the Senate confirmation.

Ms. Walter stated that she believed the Board would address what information they wanted reported to them not necessarily what to cover in an audit.

Mr. Allen stated he believed the Board would be concerned about what elements they want reported to them.

Chair Kirk stated that he believed a group could still come up with ideas for an audit program. Getting input from everyone would ensure a better product. SIAAB wouldn't have to endorse its use, just have people come up with some suggestions. An audit program was provided by Ms. Walter and various areas could be suggested by different audit shops to come up with the best product. Agencies could decide for themselves what they wanted to cover. Once the Board is in place, we can make sure the Audit Program covers at least that information. The only thing that would be reported to the Board would be what they require. Nothing precludes the agency from conducting more work than is required.

Ms. Morgan stated SIAAB would need to make it clear that it is not a standard SIAAB approved audit program, but just some suggestions for the Chief's to use in deciding their coverage. SIAAB would not want to sanction a particular audit program that is the Chief's responsibility since they must design audits to address the risks that were assessed.

Mr. Shadid stated SIAAB could look at an existing PPC Audit Program.

Mr. Dodd stated that he thought SIAAB should wait until the new Board defines the mandate and requirements, that way we know exactly what they want reported. If an individual Chief is concerned and wants to move forward with a GAAP audit to be proactive they should look at the process around the GAAP process. If an agency wants to do something with GAAP they can put something in their audit plan to cover GAAP even if the requirements are not out from the Board yet. You just wouldn't link it to coverage for the Board mandate until they issue their requirements.

Mr. Shadid wondered what would happen if the Board is not formed by June 30<sup>th</sup>. The Board only meets two times a year. Mr. Allen also noted that the law is Public Act 97-1055 and it contains a sunset provision of June 30, 2016.

Mr. Shadid said Chief Internal Auditors should be encouraged to proceed with a GAAP audit if that is what they want to do. That might be helpful to also prove the point that Internal Audit is not the problem and deflect any blame from us towards the real problems causing the delay and other issues with GAAP. Also, Internal Audit may be able to make suggestions to improve the process.

Mr. Hathhorn stated some of the lateness of GAAP is due to the OAG's contractors being late with their work and this is not always the agency's fault but they get the blame for it.

Ms. Walter said internal audit shouldn't need to do detailed testing of GAAP amounts reported. This would duplicate the work of the OAG. That would not be a good use of resources.

Mr. Shadid said the work required for the GAAP audit would have to be tailored to each agency.

Ms. Zemaitis said she concurred it would be tailored to that agency's environment.

Mr. Hathhorn stated some agencies are more complicated than others, like Department of Revenue which is a Shared Services Center agency. The Service Center in that case provides the GAAP Reporting information not the individual agency.

Ms. Walter stated that the problem is the agency is still responsible for the information for that agency even if it is supplied by the Shared Services Center.

Ms. Morgan suggested that this topic be placed on the agenda to be discussed at the next meeting.

### **Guidance**

A discussion was held regarding the following Draft Guidance:

#### **13-01 Internal Audit Access to Records, Personnel and Physical Properties**

Ms. Morgan suggested some changes to some of the wording and alignment of some of the information. Chair Kirk had no problems with the changes that were suggested. Ms. Morgan stated she would provide her changes to Chair Kirk. Chair Kirk stated he would make those changes and have the revised draft for the next meeting.

#### **13-03 Internal Audit Independence- Interaction with Agency Head, Senior Staff and Placement Within the Organizational Structure**

A discussion was held regarding the draft prepared by Chair Kirk of this Guidance. Ms. Morgan discussed several suggested changes. Ms. Morgan was concerned over the length of the document. Chair Kirk stated that he was open to any suggested alignment and wording changes, but that he felt strongly that the content itself, including examples should remain in order to provide the necessary information. Chair Kirk reminded everyone that this was guidance, so its purpose was to provide clarification. This is similar to a Practice Advisory and so it needs to be long enough to provide clear clarification. It can't just be limited to citing only the relevant Standards and interpretations, it must clarify how it is applied in Illinois in order to have meaning and use for the Chiefs. Ms. Walter concurred and stated she also believed it needed to contain sufficient detail, its purpose was to provide clarification not just restate the Standards. Ms. Walter suggested that it would be easier to see Ms. Morgan's suggestions if they were sent to all of the Board members. It was agreed Ms. Morgan would supply a copy of her suggestions to everyone. Chair Kirk asked that any other suggestions by a member be sent to everyone for their review so a decision about the content of the draft could be made at the next meeting.

Chair Kirk reminded everyone of the next step in the Guidance Process. Once a draft is approved by SIAAB, it will be sent to all Chief Internal Auditors for input and comment. Once the comment period has expired, then the SIAAB will formulate the final version for approval and adoption by SIAAB.

### **Review of SIAAB Business Responsibilities SIAAB 2012 Project**

Chair Kirk asked that everyone review the minutes he forwarded from the previous SIAAB meetings that included a discussion of the SIAAB's duties and responsibilities and be prepared to discuss this at the next meeting. Chair Kirk noted that an extensive amount of work accomplished by SIAAB on this topic was reflected in these minutes and he believed we now had the basis to make some decisions. Mr. Dodd suggested that this be tabled until the next meeting and everyone agreed.

#### **ANNOUNCEMENTS**

The next regular meeting will be February 5, 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. Dodd to adjourn the meeting.

Second: Mr. Hathhorn

Vote was unanimous, motion passed 10-0 and the meeting was adjourned at 2:55 p.m.