

AMERICAN ASSOCIATION  
OF STATE HIGHWAY AND  
TRANSPORTATION OFFICIALS

**AASHTO**

AASHTO Peer Review of the  
Montana Department of Transportation  
Audit Services

Review Period  
July 1, 2023 through June 30, 2024

Peer Review Team Members

Jacqueline St Onge, Team Lead  
Marie Samson  
Mike Ashton

AMERICAN ASSOCIATION  
OF STATE HIGHWAY AND  
TRANSPORTATION OFFICIALS

**AASHTO**

November 19, 2024

Natalie Gibson  
Chief Auditor  
Montana Department of Transportation, Audit Services  
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## **Objective**

The primary objective was to perform a peer review of the quality control system in effect for the Montana Department of Transportation, Audit Services for fiscal year 2024. Our review was conducted in conformity with the Peer Review Bylaws and other guidelines of the American Association of State Highway and Transportation Officials Standing Committee on Finance and Administration, Administrative Subcommittee on Internal and External Audit, along with those set forth under the U. S. Government Accountability Office's Government Auditing Standards (2018 Revision).

## **Scope**

The scope of the review included:

- Questionnaires completed by various individuals in the Montana Department of Transportation
- Solicitation of comments from management of the areas audited, reviewed, or examined during the period under review concerning the scope, nature, and quality of services received.
- Interviews, as necessary, held with members of the senior management and auditing staff of the Montana Department of Transportation.
- A review of Audit Services' internal control system and the quality control policies, procedures, practices, and information used for managing the audit group.
- An examination of a sample of audits, reviews, or examination files completed during the review period sufficient to provide a reasonable basis to render an opinion with reasonable assurance of conforming with professional standards in the conduct of its work.
- Fieldwork conducted remotely from October 28, 2024, through November 6, 2024.

## Opinion

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Based on our review, it is the opinion of the Peer Review Team that the Montana Department of Transportation, Audit Services, receives a Rating of Pass with Deficiencies based upon the Peer Review Bylaws and other guidelines of the American Association of State Highway and Transportation Officials Standing Committee on Administration, Administrative Subcommittee on Internal and External Audit and those of the U.S. Government Accountability Office's Government Auditing Standards (2018 Revision).

The expressed opinion implies that the organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report.

As is customary in a peer review, we have issued a letter under this date that sets forth a comment that was not considered to be of sufficient significance to affect the opinion expressed in this report.

E-SIGNED by JACQUELINE ST ONGE  
on 2024-11-19 12:15:54 EST

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Jacqueline St Onge, Team Leader



Shane Young, for the Peer Review Panel

**Montana Department of Transportation (MDT), Audit Services  
AASHTO Peer Review  
Summary of Findings and Recommendations**

**Reportable Findings:**

**1. Risk Assessment**

GAGAS 8.05 requires that, in planning the audit, auditors assess significance and audit risk and apply these assessments to establish the scope and methodology for addressing the audit objectives. Further, GAGAS 8.06 requires that auditors design the methodology to reduce audit risk to an acceptably low level.

For the performance audit we reviewed (one of two performance audits completed during the peer review period), we observed that MDT Audit Services identified certain audit risks. However, we did not identify documentation to support the assessment of significance or level of audit risk. In the absence of documentation assessing the level of audit risk, it remains unclear how the audit team reduced audit risk to an acceptably low level.

Recommendation: We recommend that MDT Audit Services update its performance audit program steps to require an assessment of significance and audit risk in accordance with GAGAS and utilize this assessment to establish scope and methodology, designed to reduce audit risk to an acceptably low level.

*Management Response: Concur, MDT Audit Services will update the performance audit program step language and include a risk assessment template.*

**2. Information Systems Controls**

GAGAS 8.59 through 8.62 requires auditors to determine whether it is necessary to evaluate information system controls.

For the performance audit we reviewed (one of two performance audits completed during the peer review period), the program did not include a procedure step requiring the auditor to determine whether it is necessary to evaluate information system controls. While there was evidence that MDT Audit Services did evaluate certain information systems controls as part of its audit procedures, the planning workpapers did not identify whether there were any other information systems controls that were significant to the audit objectives.

Recommendation: We recommend that MDT Audit Services add a performance audit procedure step that will address the GAGAS requirement to determine whether it is necessary to evaluate information systems controls.

*Management Response: Concur, MDT Audit Services will include a performance audit program step specific to evaluating information systems controls.*

### **3. Fraud Risk Assessment**

GAGAS 8.71 requires that audit team members discuss among the team fraud risks, including factors such as individuals' incentives or pressures to commit fraud, the opportunity for fraud to occur, and rationalizations or attitudes that could increase the risk of fraud.

For the performance audit we reviewed (one of two performance audits completed during the peer review period), we did not identify documentation demonstrating that the audit team members held the required discussion.

Recommendation: We recommend that MDT Audit Services include documentation supporting any team member discussions as it relates to fraud risk assessment.

*Management Response: Concur, MDT Audit Services will update the performance audit program step language to include documentation demonstrating that the fraud brainstorming discussions occurred.*