



AASHTO Peer Review of the
Montana Department of Transportation
Audit Services

Review Period
July 1, 2015 through June 30, 2017

Peer Review Team Members

Josh Nix, Team Lead, Georgia DOT
Sandeep Garg, Nevada DOT
Chris Schafer, Michigan DOT



January 25, 2018

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Objective

Professional auditing standards require a periodic assessment of audit operations to determine if audit activities are independently and effectively performed. Consistent with this requirement, the objectives of our review were to:

- Determine if the Audit Services' operating policies, procedures and practices were consistent with applicable professional auditing standards: and
- Identify opportunities to improve the quality of audit performance.

Our review over the Internal Audit Group was conducted in conformity with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards), October 2016 Revision; the Institute of Internal Auditors' Quality Assessment Manual for the Internal Audit Activity, 2017 Edition; and 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.

Our review over the External Audit Group 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 Administration, Administrative Subcommittee on Internal and External Audit and those of the U.S. Government Accountability Office's Government Auditing Standards (2011 Revision).

Scope

The scope of the review included:

- Surveys completed by various individuals in the Montana Department of Transportation.
- Surveys completed by management of the areas audited, reviewed, or examined during the period under review concerning the scope, nature, and quality of services received.
- Interviews held with members of senior management and auditing staff of the Montana Department of Transportation.
- A review of the 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 at the Montana Department of Transportation from July 1, 2015 through June 30, 2017.

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. We issued our opinion for the Internal Audit Group and External Audit Group separately since they follow two separate standards.

Based on our review, it is the opinion of the Peer Review Team that the Montana Department of Transportation Internal Audit Group generally conforms with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards), October 2016 Revision.

Based on our review, it is the opinion of the Peer Review Team that the Montana Department of Transportation External Audit Group receives a Rating of Pass 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 (2011 Revision).

The expressed opinion implies that the internal quality control system found within this area was adequate and the quality control policies and procedures were being complied with to provide the audit organization with reasonable assurance of conforming with the applicable professional standards.

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



Josh Nix, Team Leader



Mel Marcella, for the Peer Review Panel



January 25, 2018

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Ms. Murphy:

We have completed a peer review of the Montana Department of Transportation Audit Services for the period July 1, 2015 through June 30, 2017. The overall results of this review are documented in our peer review report dated January 25, 2018. Detailed below are observations and recommendations which were identified as possible improvement opportunities.

Reportable Findings:

None

Letter of Comments:

General Internal Audit Quality Control and Improvement Process

Sections 1300-1320 of the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing require the internal audit activity (IAA) to a) perform both periodic and ongoing internal quality assessments, b) obtain an external quality assessment at least once every five years, and c) communicate the results of such activities to those charged with IAA governance.

While we observed that the IAA has adequate ongoing quality assessment activities, the following deficiencies exist relative to conformance with the aforementioned standards:

- The IIA has not implemented a process to perform periodic monitoring or all required reporting related to its Quality Control and Improvement Process.
- The IIA did not obtain an external quality review within the timeframe required by standards, but did properly document the nonconformance in its audit reports.

Recommendation: We recommend that the IAA consider implementation of procedures to ensure conformance with standards pertaining to its Quality Control and Improvement Process.

Oh behalf of the Peer Review Team, I wish to express our appreciation for the cooperation and assistance that was received from Montana Department of Transportation management and staff during this review.

A handwritten signature in cursive script that reads "Joshua D. Nix".

Josh Nix, Team Leader

A handwritten signature in cursive script that reads "Mel Marcella".

Mel Marcella, for the Peer Review Panel