

# PEER REVIEW

## PERFORMANCE AND INFORMATION SYSTEMS AUDITS UNIT OF THE MONTANA LEGISLATIVE AUDIT DIVISION





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# Performance and Information Systems Audits Unit of the Montana Legislative Audit Division



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- To ensure state legislatures a strong, cohesive voice in the federal system.

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# INTRODUCTION

## **Peer Review Purpose**

The Performance and Information Systems Audits Unit of the Montana Legislative Audit Division (the Unit) follows Government Auditing Standards, 2018 Revision, by the Comptroller General of the United States (i.e., the Yellow Book or GAGAS) for its performance audits. These standards require the office to undergo an external peer review every three years.

The purpose of the peer review was to identify whether the Unit's system of quality control was suitably designed and followed during the review period to provide the Unit with reasonable assurance that its performance audit engagements conform with Government Auditing Standards in all material respects. In addition to applicable audit standards, the peer review team also considered various professional best practices in program evaluation and performance auditing when reviewing the Unit's performance audit engagements. The Unit recognizes the importance of a peer review for ensuring the quality of its legislative audit work.

## **NCSL/NLPES Peer Review Methodology**

The Montana Legislative Audit Division contracted with the National Conference of State Legislatures (NCSL) to perform its peer review and assess its Performance and Information Systems Audits Unit's system of quality control and overall quality of reports through review of a sample of performance audits completed between 2019 to 2022 (see Appendix A). The NCSL staff liaison to the National Legislative Program Evaluation Society organized a peer review team consisting of two experienced and respected program evaluators from Colorado and Louisiana (see Appendix B).

As noted above, the Unit follows Government Auditing Standards (i.e., the Yellow Book or GAGAS). This peer review compared the Unit's policies and performance to Yellow Book requirements and the knowledge base of peers from similar offices. The review provided a collective assessment of the Unit's quality assurance and review processes, including how those processes were used to develop the Unit's performance audits, and the qualifications and independence of the Unit's staff.

Specifically, the peer review team sought to determine whether the sample of reports reviewed, as well as the processes that underlie the reports, met the following criteria:

- 1) Staff is competent to perform work required.
- 2) Work is professional, independent, and objectively designed and executed.
- 3) Evidence is competent and reliable.
- 4) Conclusions are supported.
- 5) Products are fair and balanced.

On Sept. 13, 2022, a conference call was held for the peer review team, the legislative auditor, deputy legislative audit and members of the Unit's management team who were assisting with peer review coordination. During the call, the peer review team was briefed on the Unit's operations, and an overview of the NCSL/NLPES peer review process was provided.

An in-person peer review was conducted during the week of Sept. 18-23, 2022. The peer review team reviewed documentation relating to the Unit's function, its audit-related policies and procedures, and four sampled performance audits. The audits were selected by members of the peer review team from a list of audits released between 2019 and 2022 (Appendix A). Each peer review team member took lead responsibility for reviewing two reports. This included assessing the performance audit through review of the final issued audit report, review of the supporting working paper documentations and interviews with current staff who worked on the performance audit.

The peer review team conducted interviews with two members of the Legislative Audit Committee, the legislative auditor, the LAD legal counsel, the LAD training administrator and selected Unit staff who worked on the sampled audits. The peer review team also met with the entire staff of the Unit at the beginning and end of the in-person review.

To evaluate staff competence, continuing professional education (CPE) records were reviewed to determine whether staff receive necessary training.

The team discussed its preliminary conclusions with the legislative auditor, deputy legislative auditor, performance and information systems audit managers, and training administrator. An all-staff meeting was held to inform employees that the Unit had passed its peer review and to answer questions.

Appendix A lists the performance audits reviewed by the peer review team. Appendix B describes the qualifications of the peer review team members. Appendix C provides a general profile of program evaluation offices.

# COMPLIANCE WITH YELLOW BOOK STANDARDS AND BEST PRACTICES

Section 5.72 of “Government Auditing Standards, 2018 Revision” (i.e., the Yellow Book, or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings: pass, pass with deficiencies or fail.

In the peer review team’s opinion, the Performance and Information Systems Audits Unit of the Montana Legislative Audit Division has a quality control system that was suitably designed and followed during the period reviewed to provide the Unit with reasonable assurance that its performance audit engagements conform with applicable Government Auditing Standards in all material respects. Based on its professional judgment, the peer review team gives a rating of pass to the Performance and Information Systems Audits Unit of the Montana Legislative Audit Division.

**Reliability/Quality Control and Assurance.** The Unit has procedures for planning audits, supervising staff, obtaining evidence and documenting and reporting that ensure its reliability.

The Unit performs its audits in conformity with Government Auditing Standards, and LAD’s audit manual is referenced to the 2018 revision. The office also undergoes periodic external quality control reviews conducted by an independent organization that has experience in conducting performance audits.

The Unit has designed an internal control system to ensure staff are informed about GAGAS standards and requirements. The Unit uses key memos, summary documents and tools to demonstrate audit teams’ judgments and compliance with auditing standards. The peer review team found good demonstration of significance of the audit topic, audit objectives and planned work as well as good processes for assessing team selection and competence. The team also saw clear indications of supervisory review and that the supervisory review provided a good mix of positive and constructive feedback.

**Credibility/Effectiveness.** LAD’s work is overseen by the bicameral and bipartisan Legislative Audit Committee. The committee is composed of six senators and six representatives. The committee serves as the conduit between LAD and the legislature. The committee members interviewed were complimentary of LAD staff and their work.

**Independence.** Montana’s legislative post audit functions are authorized by Article V, Section 10(4) of the Montana Constitution and Title 5, chapter 13 of Montana Codes Annotated. This

authority provides the LAD and its units with considerable assurance that they can function independently and exercise their responsibilities in conformity with the Yellow Book. The LAD and its units also are granted access to documents and records. The office has a process for internal disclosure of potential impairments to independence on the part of staff.

**Competence.** The competence standard addresses technical knowledge requirements for analysts assigned to audits. Technical knowledge is defined broadly to include any specialized subject matter. The staff of the Performance and Information Systems Audits Unit appear to be well-qualified. They hold a variety of advanced degrees, and their diverse backgrounds and skill sets are beneficial to the Unit's work. In addition, a competence form for audit teams is completed for each audit.

Competence may be maintained through a commitment to continued learning and development. Continuing professional education plays an integral part in maintaining competence. Professional judgment must be exercised to select suitable educational activities and comply with CPE requirements. The training administrator uses an electronic system to track continuing professional education records. The training administrator provides the deputy legislative audit with monthly summaries of staff CPE status, and staff may check their CPE status online at any time. The deputy legislative auditor and the training administrator discuss staff training needs on a regular basis.

**Suggestions for Improvement.** During its review, the peer review team provided suggestions for management to consider. The suggestions were provided as opportunities to enhance its practice of the audit profession and did not affect the peer review team's overall judgment of the Unit or its compliance with Government Auditing Standards.



## APPENDIX A. PERFORMANCE AUDITS REVIEWED

Effectiveness of Contracted Community Corrections Programs in Reducing Recidivism, Report #18P-05, June 2020.

Information Security in the Montana University System, Report #20DP-03, March 2022.

Kids in Care: Analysis of Population Trends and Management Processes in Montana's Foster Care System, Report #19P-01, December 2021

Public Defender Workforce Management, Report #19P-04, September 2020

## APPENDIX B: PEER REVIEW TEAM

### **Nina Frant**

Nina Frant is performance audit manager with the Colorado Office of the State Auditor (OSA). In this role, she oversees performance audits looking at the efficiency and effectiveness of state government. Over her 14-year career with the OSA, she has audited topics in more than 15 agencies across state government including child welfare; performance-based budgeting; regulation of marijuana, title insurance, and water wells; suicide prevention, school safety, and veterans programming; and use of pandemic relief funds, among other topics. She also serves as OSA's quality assurance director for performance audits, responsible for monitoring the performance audit group's compliance with auditing standards. She is a certified internal auditor and certified government auditing professional and holds a Bachelor of Arts degree in international affairs from the University of Colorado at Boulder.

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### **Kristen Jacobs**

Kristen Jacobs is a senior auditor with the Louisiana Legislative Auditor's Office, where she has worked for more than 11 years. During her tenure with LLA, she has done performance audits on a variety of issues, including probation and parole, incarceration rates, child welfare, Medicaid, business tax collections and internal audit functions. She earned her Bachelor of Arts degree in English literature from Louisiana State University and her Master of Arts degree in English literature from the University of Delaware. She is a certified internal auditor and a certified government auditing professional.

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**Brenda Erickson**

Brenda Erickson is a program principal in the Legislative Staff Services Program at NCSL. She specializes in legislative processes and serves as the NCSL liaison to NLPES. She coordinated peer reviews for the Hawaii Office of the Auditor, Nebraska Legislative Audit Office, South Carolina Legislative Audit Council, Washington Joint Legislative Audit and Review Committee, West Virginia Performance Evaluation and Research Division, and West Virginia Post Audit Division. She also has participated in numerous assessments of legislative process and staffing, including studies in Arizona, Arkansas, Maine, Oregon, Tennessee and Virginia. She has worked at NCSL for 38 years. Before joining NCSL, she worked for the Minnesota House of Representatives for five years. She received her Bachelor of Science degree in math from Bemidji State University.

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## APPENDIX C. PROFILES OF PROGRAM EVALUATION OFFICES

Among the many roles state legislatures play—debating public policy, enacting laws and appropriating funds—is the fundamental responsibility to oversee government operations and ensure that public services are effectively and efficiently delivered to citizens.

To help meet this oversight responsibility, most state legislatures have created specialized offices that conduct research studies and evaluate state government policies and programs. These studies—variously called policy analyses, program evaluations, performance audits or sunset reviews—address whether agencies are properly managing public programs and identify ways to improve them. Similar offices in legislatures around the country serve a vital function. They significantly bolster legislatures’ ability to conduct independent oversight of the other branches of government and determine if legislative program priorities are adequately fulfilled.

Most parties presenting information to a legislature—such as executive branch agencies, citizen groups and lobbyists—have a vested interest in that information. A legislative sunset, audit or program evaluation office provides a legislature with an independent, objective source of information.

Most legislative program evaluation offices have been in operation for several decades. According to a 2019 NLPES survey of legislative audit offices, about 25% of these offices have served their legislatures for more than 50 years. The Montana Legislative Audit Division was established in 1967.

To help ensure that they produce high-quality work, audit offices use professional standards to guide their activities. Approximately 65% of offices follow Government Auditing Standards, issued by the by the Comptroller General of the United States. One quarter of offices use either American Evaluation Association or internally developed standards. Only a handful of offices have not adopted formal standards. The Performance and Information Systems Audits Unit of the Montana Legislative Audit Division conducts its performance audits in accordance with the generally accepted government auditing standards for performance audits contained in the Government Auditing Standards, internal operating guidelines and professional best practices.

Legislative program evaluation offices vary substantially in size, reflecting the diversity among states and legislatures. According to a 2019 NLPES survey, 22% of legislative audit offices reported having fewer than 10 staff, 50% have 11-30 evaluation staff, 9% have 31-50 staff, and 19% of the offices have 51 or more staff. The Unit currently has 16 audit staff, which aligns with most of its peer legislative audit offices.