

**AASHTO COMMITTEE ON
INTERNAL AND EXTERNAL AUDIT
PEER REVIEW SUBCOMMITTEE BYLAWS**

ARTICLE I INTRODUCTION

1.1 BYLAW AUTHORITY

These Bylaws constitute the authority for and policy governing the "Peer Review Subcommittee" of the American Association of State Highway and Transportation Officials' Committee on Internal and External Audit. The Program is based on audit standards promulgated by the U.S. Government Accountability Office of the Comptroller General of the United States (GAO) and the Institute of Internal Auditors (IIA).

1.2 DEFINITIONS

When used in these Bylaws, the following words and phrases have the following meanings:

“Audit Group” means the audit organization(s) of either a State, Puerto Rico, or the District of Columbia’s Highway and/or Transportation Department that is a member of AASHTO.

“Committee” means the AASHTO Committee on Internal and External Audit.

"State" means one of the constituent units of the United States and shall also include Puerto Rico or the District of Columbia.

“Peer Review” means an independent review performed to determine an audit group’s compliance with professional standards.

- For GAO Standards, this includes providing reasonable assurance that the organization and personnel comply with professional standards and applicable legal and regulatory requirements.
- For IIA standards, this includes determining compliance with the Code of Ethics and assessing the efficiency and effectiveness of the audit activity as well as identifying opportunities for improvement.

“Subcommittee” means the Peer Review Subcommittee as created in Section 3.1 of these Bylaws.

“Report” means the report on compliance with professional standards by the Subcommittee to an audit group that has undergone a peer review.

“Program” means the peer review evaluation and assessment program of the Committee.

ARTICLE II ORGANIZATION

2.1 PROGRAM GOVERNANCE

The Peer Review Program of the Committee shall be administered by the Subcommittee in accordance with these Bylaws. Revisions to the Bylaws must be vetted through the Subcommittee and submitted to the Committee for review and approval.

2.2 PURPOSE

The purpose of the Program is to develop and maintain objective and independent peer reviews that will enable highway and transportation audit groups to improve the quality of their organizations and the audits they perform.

2.3 STRUCTURE

The Program consists of:

- I. The Committee, which acts as the governing authority over the Program and sets goals and policy;
- II. The Subcommittee, which is under the direction of the Committee and is responsible for the operation and administration of the Program; and
- III. Review teams, which are under the supervision of the Subcommittee and are responsible for performing all the necessary work for any specific review.

ARTICLE III SUBCOMMITTEE ON PEER REVIEW

3.1 CREATION, IDENTITY AND PURPOSE

There is hereby created the “Peer Review Subcommittee” of the AASHTO Committee on Internal and External Audit. The purpose of the Subcommittee is to administer and operate the Peer Review Program by providing the means to conduct reviews to determine the degree to which an audit group complies with professional audit standards.

3.2 GENERAL POWERS

Pursuant to these Bylaws and any applicable directives of the Committee, the subcommittee shall have the following powers:

- I. To administer the activities of the Program;
- II. To adopt, modify or repeal evaluation standards, guidelines, evaluation criteria and requirements for assessments of audit groups, in accordance with audit standards;
- III. To make procedural decisions affecting the Program which are consistent with the Bylaws and/or directives of the Subcommittee; and
- IV. To plan and arrange reviews undertaken as part of the Program.

3.3 MEMBERSHIP, TENURE AND QUALIFICATIONS

The Subcommittee shall consist of between five (5) and seven (7) members elected by the Committee. Members shall be either a head of an audit group or a designee of the audit group head. The change in members of the Subcommittee shall occur at the annual Committee business meeting.

A member is expected to serve on the Subcommittee a minimum of five years. However, actual term length could be less than the minimum should terminations and vacancies occur (see Section 3.4). No member may serve two consecutive terms. The Chairperson of the Subcommittee shall be the chief presiding officer of the Subcommittee and shall be appointed from the membership of the Subcommittee according to seniority on the Subcommittee. (I.E. the senior member of the Subcommittee will sit in the higher position.) This is to help with ensuring experience of Subcommittee Members. In the event that more than one member is of equal seniority, Subcommittee members will determine Chairperson succession order subject to section 3.6.

The immediate past Chairperson will serve in ex-officio (i.e. non-voting member) capacity on the Subcommittee for one year upon expiration of their term, and serve as alternate Subcommittee member (i.e. voting member) in the event vacancies occur on the Subcommittee or in the event of a tie vote. At the next Committee meeting an election will be conducted to fill the unexpired term created by the vacancy.

3.4 TERMINATIONS AND VACANCIES

A vacancy exists whenever an individual member resigns from the Subcommittee, or is no longer a member of the group from which he/she was appointed, or fails, without just cause, to attend three

or more consecutive Subcommittee meetings. A determination of just cause will be made by the Subcommittee Chairperson. Copies of all correspondence regarding terminations and vacancies will also be submitted to the Secretary of the Committee.

3.5 QUORUM REQUIREMENT

Four Subcommittee members constitute a quorum to transact business at meetings.

3.6 MANNER OF ACTING AND VOTING

Decisions shall be by vote; each member including the Subcommittee chair shall have only one vote; an act of the majority shall constitute an act of the Subcommittee. In the event that changes to the adopted Program evaluation methodology, guidelines, report formats and the Guide are not approved by all Subcommittee members, these shall be brought before the next annual Committee meeting for a vote of the membership at large.

Voting shall be by ballot or voice call and shall be secret if three or more of the members voting so request.

“Roberts’ Rules of Order” shall govern the conduct of meeting except as modified by the Bylaws or rules of order adopted by the Subcommittee.

3.7 CORRESPONDENCE MEETINGS

The Subcommittee may hold meetings by correspondence, including email, or by telephone conference call and take any action that the Subcommittee could take, if meeting in person, provided that at least four members vote affirmative for the action to be adopted. For all correspondence meetings, the resolution being voted on must be in writing and documentation kept of the results and the results of voting shall be documented and maintained.

Rules, regulations, policies and procedures governing in-person meeting of the Subcommittee shall apply to correspondence and telephone meetings to the extent that such rules, regulations, policies and procedures are not inconsistent with the concept of correspondence and telephone meetings.

3.8 MEETINGS

The Subcommittee shall have a meeting at least quarterly and at the annual Committee meeting. Other meetings shall be at the call of the Chairperson or at the combined call of three other members.

ARTICLE IV REVIEW TEAMS

4.1 CONDUCT OF REVIEWS

Peer Reviews will be conducted by a Review Team pursuant to adopted evaluation standards and guidelines. Review teams shall be formed in accordance with these Bylaws. One Peer Review will be conducted for each state that submits a request to the Subcommittee. States must turn in their peer review request to the Subcommittee Chairperson by July 1 to have a peer review scheduled for the following calendar year. Requests submitted after this deadline will be given lower priority in staffing and may not occur by the desired date. The Subcommittee will send out an email to solicit requests by June 1 of each year.

In those states having more than one section for internal and external audit, the Peer Review Team may issue separate opinions and reports on each audit section if requested by the state and approved by the Chairperson of the Subcommittee prior to beginning the Peer Review.

In those states that follow both GAO Standards and IIA Standards, compliance with each set of standards will be assessed and opined upon. The state is responsible for notifying the Peer Review Subcommittee in advance that their peer review will require assessment under two separate sets of standards.

4.2 REVIEW TEAMS

Highway and/or Transportation Department auditors shall be recommended to the Subcommittee by the heads of their audit groups or Chief Audit Executive (CAE) to serve on review teams. The Subcommittee shall select team members using the following dominant factors:

- I. Background and current work position;
- II. Education level including degree specialization;
- III. Licenses and certifications;
- IV. Geographic location of team members in relation to travel requirements; and
- V. Independent relationship with the audit group to be reviewed.

Except as otherwise authorized review teams will consist of 4 members for states with medium and large audit groups (with 10 or more professional staff) and 3 members for states with smaller audit groups (under 10 professional staff). Professional staff size is determined by the number of auditors dedicated to performing audits of transportation programs. Review teams shall consist of representation with appropriate experience and expertise in internal and external highway/transportation audit, with a goal of having only one person from any given state. However, two individuals from any one state may serve on a single review team, with both Subcommittee and approval of the state requesting the review. Qualifications will be those included on the team applicant questionnaire.

For those states which have had two consecutive peer reviews performed without any significant findings and have had no changes either in key personnel or organizational status, the team makeup may be reduced by one team member, if the state requests such a reduction, the prior team leader recommends such a reduction and the Subcommittee approves.

4.3 REVIEW REPORTS

At the conclusion of the review, the team shall meet with the head of the audit group to present findings/observations, conclusions and recommendations and to obtain the head's response. A team report shall be prepared which includes and considers the audit group's position as appropriate. The team shall obtain the audit head's or CAE's written comments before it sends the report and supporting work papers to the Subcommittee Chairperson. The team report should be prepared within a reasonable timeframe following completion of the file review. The completed team report shall be signed by the team leader.

4.4 RESOLUTION OF CONTROVERSIES

Controversies arising between the audit group and the review team about final review report determinations shall be resolved by the Subcommittee. The audit group reviewed agrees to accept the decision of the Subcommittee as final.

ARTICLE V PROGRAM SPECIFICATIONS

5.1 ESTABLISHMENT OF STANDARDS

The Subcommittee shall develop and adopt evaluation criteria for the conduct of peer reviews. These criteria shall apply to all audit groups and the audits they perform to assess compliance with audit standards. Policy and operational elements common to auditing and those special to financial and performance auditing shall be covered.

5.2 FINAL DISPOSITION OF RECORDS AND WORKPAPERS

Workpapers maintained by the Subcommittee shall not be released to anyone prior to the issuance of the report described in Section 5.4. After the issuance of the report, the workpapers shall be delivered to the audit group that was reviewed, and a copy saved on the AASHTO file share. These workpapers must be maintained until completion of the next peer review and be made available to the peer review team upon request.

5.3 GENERAL PEER REVIEW PROCEDURES

Only audit groups that have volunteered for a peer review shall be subject to a review and shall hold harmless participants of the Program. The Subcommittee shall maintain a list of audit groups desiring to be reviewed and shall annually prepare a plan identifying those groups to be reviewed in the ensuing year. Peer review teams will not be staffed until a state submits a written request, subject to section 4.1.

An audit group to be reviewed shall be given sixty days' notice prior to the period of time the review team will conduct the review unless the group has requested a shorter time period.

5.4 REPORTS

Only the Subcommittee has authority to approve and issue the final report on an audit group. The report will be signed by the Subcommittee Chairperson or designee Subcommittee member. The final report shall contain the written response of the agency reviewed. One copy of the report will be submitted to the head of the audit group being reviewed and one copy will be maintained in the Subcommittee's permanent records. The Subcommittee will create a final report that will be presented at the annual AASHTO Committee meeting.

ARTICLE VI GENERAL BUSINESS AND ADMINISTRATIVE MATTERS

6.1 TEAM MEMBER'S TRAVEL AND RELATED EXPENSES

The state providing the team member for the review of another state's audit group shall provide the expense reimbursements for travel and related items for that team member.

6.2 SUBCOMMITTEE RECORDS

The records that are the property of the Subcommittee shall reside in the designated records storage location on the AASHTO website. The Subcommittee Chairperson is responsible for ensuring that members of the subcommittee and committee have access to these records.

6.3 TRACKING OF PARTICIPATION IN THE PROGRAM

The Subcommittee shall maintain records of all participation in the Peer Review Program. To receive peer reviews from the Program, states are expected to be active participants. Peer reviews will not be scheduled for states that carry large outstanding obligations without demonstrated effort to resolve the balance.

Point balances will be updated and published annually during the Annual Committee Meeting. States are responsible for reviewing their point balance information and contesting any discrepancies within 30 days.

To track team contributions and state obligations to the Peer Review Program, a system of standard units is adopted as follows:

Contributions:

Team Leader

Large 4 Units

Medium/Small 3 Units

Team Member 1 Unit

Obligations:

Large (20 + professional staff)

*Standard requirements: 7 Units

*Reduced requirements: 6 Units

*Increased requirements: 7 Units (standard & reduced)

Medium (10 to 19 professional staff)

*Standard requirements: 6 Units

*Reduced requirements: 5 Units

*Increased requirements: 7 Units (standard; 6 if reduced)

Small (under 10 professional staff)

*Standard requirements: 5 Units

*Reduced requirements: 4 Units

*Increased requirements: 6 Units (standard; 5 if reduced)

*Modified requirements apply per the criteria indicated in Article IV, Section 4.2, "Review Teams."

6.4 SUBCOMMITTEE MEMBER DUTIES

The Chairperson is responsible for scheduling and managing reviews; maintaining Subcommittee files and Program. Subcommittee members will serve as reviewers for the team reviews and support the Chairperson as needed in meeting the overall Subcommittee duties. The Chairperson will delegate the following duties to various subcommittee members:

- Website Maintenance
- Records Management
- Point Balance tracking and reconciliation
- Maintaining the list of available reviewers
- Maintaining the list of states needing review
- Updating templates as necessary

During his/her last year of service on the Subcommittee, the Past Chairperson will be responsible for providing leadership on matters identified by the Subcommittee that require revision, update or new development. The Past Chairperson will seek support from Subcommittee members and other volunteers as needed to work on the identified matters, the outcome of which is to improve the overall Peer Review Program.

ARTICLE VII REMOTE PEER REVIEWS

7.1 REMOTE PEER REVIEW ELIGIBILITY

The Subcommittee recognizes that as budgets have shrunk, and DOT's have cut back on out of state travel, the remote peer review process is now viewed as a way to maintain the quality control aspect of the peer review process but at a greatly reduced travel cost. There are additional challenges with the remote peer review process, including but not limited to: Increased need for communication between team members; the need to schedule meetings between the audit team and the DOT personnel; sharing of files and safeguarding the information. As such, the Subcommittee will offer this option to good candidates. The Subcommittee has established a process in their Policies and Procedures to determine that eligibility.