

# State of Texas

## Department of Public Safety

Chief Auditor's Office

Steve Goodson, Chief Auditor



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FY2013 Annual Report

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October 2013

**DPS CHIEF AUDITOR'S OFFICE**

**MISSION STATEMENT**

Our mission is to assist the Department in achieving its operational goals by:

- Using innovative and disciplined methods to objectively evaluate the effectiveness, efficiency, and integrity of Department operations and governance processes.
- Making recommendations to improve operational performance and governance processes.

**PUBLIC SAFETY COMMISSION**

A. Cynthia Leon, Chairman  
Carin Marcy Barth, Commissioner  
Randy Watson, Commissioner

**CHIEF AUDITOR'S OFFICE**

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Waleska Carlin, CGAP, CLEA, QAIP Auditor  
Isis Johnson, Executive Assistant  
Bessie Washington, Administrative Assistant

R. Eric Ramos, CIA, CFE, CLEA, Audit Manager

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# TEXAS DEPARTMENT OF PUBLIC SAFETY

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COMMISSION  
A. CYNTHIA LEON, CHAIR  
CARIN MARCY BARTH  
RANDY WATSON

October 29, 2013

The Honorable Rick Perry  
Governor, State of Texas  
State Capitol Extension, Room E1.304  
Austin, Texas 78701

Dear Governor Perry:

We are pleased to present the Chief Auditor's Office Annual Report for the Texas Department of Public Safety for Fiscal Year 2013.

This report fulfills the requirements set out in the Texas Internal Auditing Act (Texas Government Code, Section 2102) and provides the information in the format prescribed by the State Auditor's Office.

For further information about the contents of this report or to request copies of audit reports, please call (512) 424-5711.

Respectfully,

A handwritten signature in black ink that reads 'Steve Goodson'.

Steve Goodson, CIA, CISA, CGAP, CCSA, CLEA, CRMA  
Chief Auditor – Chief Auditor's Office

cc: John Keel, CPA, State Auditor  
TXDPS Chairman A. Cynthia Leon  
TXDPS Commissioner Carin Marcy Barth  
TXDPS Commissioner Randy Watson

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## Table of Contents

I.	Compliance with House Bill 16 Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web Site .....	1
II.	Internal Audit Plan for Fiscal Year 2013 .....	5
III.	Consulting Services and Non-audit Services Completed .....	9
IV.	External Quality Assurance Review (Peer Review) .....	13
V.	Internal Audit Plan for Fiscal Year 2014 .....	17
VI.	External Audit Services Procured in Fiscal Year 2013 .....	21
VII.	Reporting Suspected Fraud and Abuse.....	25
VIII.	Other Internal Audit Activities.....	29

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**I. Compliance with House Bill 16 Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web Site**

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## **I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web Site.**

House Bill 16 (83rd Legislature, Regular Session) was signed by Governor Rick Perry on June 14, 2013, and became effective immediately, amending the Texas Internal Auditing Act (Texas Government Code 2102) to require state agencies and institutions of higher education, as defined in the bill, to post agency internal audit plans, internal audit annual reports, and any weaknesses or concerns resulting from the audit plan or annual report on the entity's Internet Web site.

The Chief Auditor's Office has complied with this mandate by posting the FY 2014 Approved Annual Audit Plan on the DPS website. Upon completion, this report will also be posted on the DPS website.

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## **II. Internal Audit Plan for Fiscal Year 2013**

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## II. Internal Audit Plan for Fiscal Year 2013

Approved Assurance & Advisory Projects	Project #	Status	Presented to Public Safety Commission
Carry Over: Accounts Payable	12-16	Carry Over: Report Issued: Accounts Payable (Procure to Pay) Process	April 2013
Carry Over: Texas Prescription Program / Health Insurance Portability and Accountability Compliance	13-02	Carry Over: Report Issued: RSD Controlled Substance Operations	April 2013
Carry Over: Driver License Compliance	12-11	Report Issued: DL Lawful Presence	February 2013
Local Border Security Expenditures	13-14	Report Issued: Local Border Security Expenditures	October 2013
Weapons and Munitions Storage, Security & Accountability	13-04	Report Issued: Weapons and Munitions	April 2013
Privacy and Protection of Sensitive or Confidential Information	13-05	Report Issued: Privacy and Protection of Sensitive Information	August 2013
TDEM Use of Procurement Cards	13-01	Report Issued: TDEM Financial Review of Payment Card	October 2013
Background Checks	13-07	Report Issued: Audit of the TXDPS Employee and Contractor Background Check & Investigation Process - Confidential	October 2013
Overtime/ 45-Hour Workweek/ STEP Grants	13-19	Carry Over to FY 14	In Reporting Phase
System Development Life Cycle (SDLC) Overall Project Management	NA	Ongoing	Advisory - No Report
Data Gaps – Sex Offender Registry & TxGang Activity	13-06	Report Issued: An audit of Data Integrity in the Sex Offender Registry and TxGang Database	August 2013

Approved Assurance & Advisory Projects	Project #	Status	Presented to Public Safety Commission
Division, Regional, and Headquarters Administrative Review Five (5) Projects	13-18	Report Issued: Regional Reviews FY 2013 Covered Regions 1, 2, 3, 5 & 6	August 2013
TDEM Continuity of Operations Plan	13-208	Ongoing -Advisory	No Report
System Development Life Cycle (SDLC) – Project Startup, Requirements Gathering, Initial Design	NA	Ongoing -Advisory	No Report
THP Patrol Operations	13-12	Objective Included in Regional Review 13-18	August 2013
RSD Private Security Bureau	13-15	Report Issued: Audit of Private Security Bureau	October 2013
IT Governance Advisory	13-207	Ongoing -Advisory	No Report
Cash Management Office Review	13-17	Report Issued: Audit of Cash Management	October 2013
Crime Lab	13-08	Report Issued: Audit of Crime Laboratories	August 2013
Identity and Access Management	13-204	Report Issued: Identity and Access Management-Advisory	December 2012
DPS Vehicle Inspection Service and Sticker Program	13-16	The passing of House Bill 2305 greatly altered the motor vehicle inspection program. In view of those circumstances, this project was closed at the completion of planning. No report was issued.	No Report
Fleet Operations Bureau Operational Review	13-03	Report Issued: Audit of Fleet Operations	April 2013
Special Requests Three (3) Projects	13-13	Audit of Selected Performance Measures	August 2013
	13-21	Audit of Federal Grant Compliance	October 2013
	13-22	HIDTA Grants Management – Carry Over to FY 14	In Reporting Phase
General Assurance and Advisory Services on Emerging and Ongoing Topics (generally less than 80 hours per topic)	NA	Various informal assurance and advisory assistance was provided throughout the fiscal year.	NA

### **III. Consulting Services and Non-audit Services Completed**

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### III. Consulting Services and Non-audit Services Completed

Project #	Consulting Engagements and Non-audit Services Completed	High-level Objectives
13-00	DPS Expenditures Data Mining Review	Used data mining tools to review expenditures and budget information to assess risk and/or to identify future audit projects.
13-10	Enterprise Project: System Development Life Cycle (SDLC) – Overall Project Management Project Startup, Requirements Gathering, Initial Design	Partnered with the Policies, Project and Portfolio Management Office (PPMO) on developing policies, practices, and procedures to be followed by agency personnel for enterprise wide projects.
13-302	Limited Review of DPS Internal Investigation Process	Assisted the newly selected Inspector General in a review of existing policies and procedures.
13-204	Identity and Access Management Advisory	Provided management with the basic criteria that could be used in an audit of Identity and Access Management.
13-206	Risk and Control Self-Assessment	Provided facilitation services to various Department units to assist them in identifying risks and controls.
13-207	IT Governance	Provided input to the IT Governance Section of the Information Technology Division on the development of Software Development Life Cycle (SDLC) processes. CAO staff reviewed and commented on evolving process designs for software project initiation.
13-208	TDEM Continuity of Operations Plan	Assessed the progress of the Texas Department of Public Safety's (DPS) Continuity of Operations Plan (COOP) initiative.

Project #	Consulting Engagements and Non-audit Services Completed	High-level Objectives
NA	Vendor Financial Status Review Process	Served in an advisory capacity on the Department's committee responsible for reviewing the financial status of certain vendors.
NA	Regulatory Services Division (RSD) - Placement of the Ignition Interlock Device Program	Evaluated the placement of the Breath Alcohol Ignition Interlock Device (IID) Program within the Department by examining resource utilization, statutory requirements, and a pros and cons analysis.
NA	Executive Protection Bureau	Assisted in procedure review and development.
NA	Quality Control for Administrative Division	Developed a basic flowchart of Mail Operations.
NA	Office of General Counsel	Reviewed Interagency Cooperation Contract with Texas Facility's Commission and the Department for the State Auditor's Office.
NA	Finance Division	Advised Finance on opportunities to improve controls over ACT-59 prior to supervisory approval of purchases.
NA	Regulatory Services Division	Provided a Business Continuity Planning presentation.
NA	Texas Department of Transportation	Provided samples of reports and information on our TeamMate processes.
NA	Procurement and Contracts	Reviewed draft policy of contract signature authority.
NA	Office of Inspector General (OIG)	Reviewed Performance Measures draft policies.

#### **IV. External Quality Assurance Review (Peer Review)**

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#### IV. External Quality Assurance Review (Peer Review)

##### Overall Opinion

Based on the information evaluated during this external quality assurance review, it is our opinion that the Chief Auditor's Office of the Texas Department of Public Safety

*Fully Conforms*

with the Institute of Internal Auditors Definition of Internal Auditing, Code of Ethics, and the *Internal Standards for the Professional Practice of Internal Auditing*; the United States Government Accountability Office *Government Auditing Standards (Generally Accepted Government Auditing Standards)*; and the Texas Internal Auditing Act (*Texas Government Code, Chapter 2102*).

The system of quality control of the Chief Auditor's Office's audit engagement practices was adequately designed and complied with during the period reviewed to provide the Chief Auditors Office with reasonable assurance of conforming with the above stated professional standards. Overall, it is our opinion that the Chief Auditor's Office of the Texas Department of Public Safety adds value to the Texas Department of Public Safety and improves its operations.

This opinion is the highest of possible ratings.

##### Special Mention

The Review Team would like to recognize the Chief Auditor's Office's efforts in its swift staffing of the function. Since the hiring of the current Chief Auditor, the Chief Auditor's Office underwent a number of significant changes. Some of these changes resulted in the loss of personnel. In a relatively short period of time with several vacancies to fill, the Office has staffed its function to ensure the Chief Auditor's Office collectively possesses the knowledge, skills, and other competencies needed to perform its responsibilities, and has developed its function into a fully conforming internal audit activity.

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## **V. Internal Audit Plan for Fiscal Year 2014**

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**V. Internal Audit Plan for Fiscal Year 2014**

<b>Approved FY14 CAO Assurance &amp; Advisory Projects</b>
<b>Contract Compliance</b>
<b>Data Storage Disposition (Data Deletion)</b>
<b>Data Support to Local Law Enforcement</b>
<b>DPS Salary Study – Non-Schedule C</b>
<b>Driver License Office Bookkeeping Process</b>
<b>Financial Audit of Operation Drawbridge</b>
<b>Financial Audit of the Commercial Vehicle Enforcement Inspection Program</b>
<b>Financial Reporting – CAFR (Consolidated Annual Financial Report) Preparation</b>
<b>Information Technology Operating Systems</b>
<b>Information Technology Vulnerability Assessment</b>
<b>Monitoring of Federal Grant Subrecipients – Texas Division of Emergency Management (TDEM)</b>
<b>Monitoring of Federal Grant Subrecipients – State Administrative Agency (SAA)</b>
<b>Payroll Process</b>
<b>Performance Measures - Two (2) Projects</b>
<b>Public Safety Communications: Statewide Interoperability Plan</b>
<b>Purchasing and Contracting Processes</b>
<b>Single Audit Grant Compliance Texas Division of Emergency Management (TDEM) and State Administrative Agency (SAA)</b>
<b>Texas Administrative Code (TAC) 202 Annual Information Security Compliance Audit</b>
<b>Texas Border Security Operations Center (BSOC)</b>
<b>Texas Division of Emergency Management (TDEM) Audit Contracts</b>
<b>Travel Expenditures</b>
<b>Regional Compliance Audits - Six (6) Projects</b>
<b>Special Requests -Three (3) Projects</b>

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## **VI. External Audit Services Procured in Fiscal Year 2013**

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## **VI. External Audit Services Procured in Fiscal Year 2013**

The Texas Department of Public Safety's – Division of Emergency Management, contracted with Grant Thornton, LLP and Horne, LLP, Cohn Reznick, LLP and Ernst & Young, LLP to conduct audits of Federal Emergency Management Agency (FEMA) approved Public Assistance Program grants.

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## **VII. Reporting Suspected Fraud and Abuse**

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## **VII. Reporting Suspected Fraud and Abuse**

The DPS home page includes a link to the State Auditor's website for fraud reporting as required by Article IX, Section 7.10, the General Appropriations Act (82nd Legislature).

The DPS General Manual, Section 05.49.00 FRAUD POLICY states that:

*Employees who suspect fraud is occurring in the workplace should immediately notify their supervisors. If for some reason the employee is uncomfortable with notifying their supervisor, they may notify Internal Affairs or the State Auditor's Office.*

Monthly reports prepared by the Chief Auditor's Office in collaboration with the Office of Inspector General are provided to the State Auditor's Special Investigations Unit in compliance with Tex. Gov't Code 321.022.

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## **VIII. Other Internal Audit Activities**

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## VIII. Other Internal Audit Activities

Activity	Description
Professional Credentials	The CAO staff members hold nine (9) advanced degrees and 143 years experience providing assurance and advisory services.
Ongoing Quality Assurance and Improvement Program (QAIP)	This activity includes on-going and periodic monitoring of audit quality, as well as the annual self assessment. As a result of this effort, we have greater assurance that our work meets quality standards and is in compliance with professional audit standards and the Texas Internal Auditing Act.
Quality Assurance Review (QAR) of Other State Agencies	<p>The DPS Chief Auditor’s Office served on three quality assurance review teams of other state agencies:</p> <ul style="list-style-type: none"> <li>• Texas Department of Agriculture</li> <li>• Texas Guaranteed Student Loan Corporation</li> <li>• Texas Juvenile Justice Department</li> </ul>
Risk Control Self Assessment (RCSA)	Piloted this year; RCSA is a process to assist operational units to identify potential events or circumstances that may affect the unit and to create a plan to handle those events.
Follow-up	We conducted two follow-up projects in FY 2013, assessing all open issues related to internal audit, inspection, and external oversight agencies’ work at DPS.
How to Prepare for an Audit	This class informs employees about the different types of audits we perform and what to expect when audited. In FY 2013, 27 DPS managers and staff members attended.
Best Practices for Preparing Policies and Procedures	This class provides a framework for developing and maintaining policies and procedures. In FY 2013, 54 DPS managers and staff members attended.
Internal Controls – DPS Assurance Continuum	This class focuses on developing a strong internal control environment. In FY 2013, 16 DPS managers and staff members have attended.
Fraud Prevention and Detection	This class covers fraud related policies as well as techniques to identify, detect, and prevent various types of fraud. In FY 2013, 74 DPS managers and staff members have attended.

Activity	Description
Change Management	This class examines reasons for change, the change process, impediments to change, how to overcome resistance, tips to manage change and implementation strategies. In FY 2013, 173 DPS managers and staff members have attended.
Single Audit Basics	The CAO sponsored two days of federal audit requirements training. KPMG partner, Susan Warren conducted the training; seventy-four (74) DPS grant professionals attended.
Internal Audit Leadership Development Program	As one of several state agencies, DPS CAO sponsored a 9-session Internal Audit Leadership Development Program.
Office of Inspector General Assistance	CAO provided forensic accounting and auditing assistance to the Office of Inspector General.
External Auditor Liaison	CAO served as the official contact point and liaison for all external audits and reviews of DPS activities.
Professional Organizations	<p>CAO staff actively supported professional organizations by participating and/or serving in professional audit organizations including:</p> <ul style="list-style-type: none"> <li>• State Agency Internal Audit Forum (SAIAF)</li> <li>• Association of Certified Fraud Examiners (ACFE)</li> <li>• Institute of Internal Auditors (IIA)</li> <li>• Information Systems Audit and Control Association (ISACA)</li> <li>• Association of Government Accountants (AGA)</li> <li>• International Law Enforcement Auditors Association (ILEAA)</li> </ul>
"Top Auditor's Under 30"	IIA's American Hall of Distinguished Audit Practitioners, selected CAO staff members <b>Katie Houston</b> and <b>Brandon Tanous</b> to be honored as part of their 20 under 30 campaign. They appeared in the <i>Internal Auditor</i> magazine, as up-and-coming stars of the internal audit profession.

Activity	Description
Professional Speaking	<ul style="list-style-type: none"> <li>• Chief Auditor Steve Goodson presented Transparency of the Internal Audit Report at the 2013 Institute of Internal Auditor’s International Conference.</li> <li>• Brandon Tanous and Steve Goodson spoke at the Institute of Internal Auditor’s Southern Regional Conference on the topic of risk and controls.</li> <li>• W. Brandon Tanous &amp; Meghan Patronella presented on Risk and Control Self Assessment in Your Organization at the 2013 Texas State Auditor’s Office Conference.</li> <li>• Scott Mattingly presented on Fraud Identification at the ILEAA conference in New Orleans, Louisiana.</li> <li>• Scott Mattingly presented on Fraud Investigations to the Inland Empire Chapter in Ontario, California.</li> </ul>
Ride-alongs and Aviation	<p>CAO staff members have ridden along, as well as flown with Texas State Troopers and pilots during the year. The objective of this activity is for staff to gain a better understanding of the core work performed to meet the DPS mission.</p>
Fraud Waste and Abuse Prevention	<p>Through our audit work, training sessions and DPS-net presence, we continue to promote fraud, waste and abuse prevention and detection.</p>
2012-13 Employer of the Year	<p>Austin Chapter of the Institute of Internal Auditors recognized the DPS Chief Auditor’s Office as the 2012-13 Employer of the Year. This award is given to the audit shop whose staff members have provided the most significant service to the internal audit profession at the chapter level.</p>

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### **INTERNAL DISTRIBUTION**

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Randy Watson, Commissioner

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David Baker, Deputy Director, Law Enforcement  
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