

State of Texas

Department of Public Safety

Chief Auditor's Office

Catherine A. Melvin, Chief Auditor



FY2016 Annual Report

October 2016

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

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Manny Flores, Commissioner
Faith Johnson, Commissioner
Steven P. Mach, Commissioner
Randy Watson, Commissioner

CHIEF AUDITOR'S OFFICE

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R. Eric Ramos, CIA, CFE, CLEA, Deputy Assistant Director
Isis I. Johnson, Executive Assistant
Yolanda R. Hunt, Administrative Assistant

Steven L. Clark
Carrie S. Green
Susan K. Jockisch
James Kim
Susan K. Oballe, CIA, CGAP, CICA
Diep Phan
Sarah C. Purkeypile
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Nancy H. Walden, CIA, CGAP, CICA, CRMA
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October 31, 2016

The Honorable Gregg Abbott, Governor
The Legislative Budget Board
The Sunset Advisory Commission
The State Auditor's Office

We are pleased to present the Texas Department of Public Safety Chief Auditor's Office Annual Report for Fiscal Year 2016.

This report fulfills the requirements set forth in the Texas Internal Auditing Act (the Act). As mandated in the Act, the State Auditor's Office prescribes the content. This report has been prepared in accordance with the State Auditor's content requirements and is current through October 31, 2016.

Fiscal year 2016 represented critical efforts for the Chief Auditor's Office. The work performed by Chief Auditor's Office is a key element in assuring accountability, economy, efficiency, and effectiveness within Department operations. The Chief Auditor's Office is committed to being a trusted, independent and objective resource and providing quality internal auditing services. We will aggressively pursue projects in fiscal year 2017 to continue our assistance to the Department in improving controls, reducing risk, and enhancing agency operations.

If you desire further information about the contents of this report or would like to request copies of individual audit reports, please call (512) 424-5711.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Catherine A. Melvin'.

Catherine A. Melvin, CPA, CIA, CLEA
Chief Auditor

Table of Contents

I.	Compliance with Texas Government Code, Section 2102.015: 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 2016.....	2
III.	Consulting Services and Nonaudit Services Completed	2
IV.	External Quality Assurance Review (Peer Review).....	4
V.	Internal Audit Plan for Fiscal Year 2017	5
VI.	External Audit Services Procured in Fiscal Year 2016	6
VII.	Reporting Suspected Fraud and Abuse	7
VIII.	Other Internal Audit Activities	8

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web Site

House Bill 16 (83rd Legislature, Regular Session) amended the Texas Internal Auditing Act (Texas Government Code 2102) to require state agencies and higher education institutions, as defined in the bill, to post internal audit plans, internal audit annual reports, and other information on their Internet Web sites, at the time and in the manner provided by the SAO.

The bill's provisions also require covered entities to post a summary of any "weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report" and a summary of actions taken "to address the concerns, if any, that are raised by the audit plan or annual report".

The Chief Auditor's Office has complied with this mandate by posting the following on the DPS website:

- FY 2013 Annual Report
- FY 2014 Approved Audit Plan
- FY 2014 Approved Audit Plan Amendment
- FY 2014 Annual Report
- FY 2015 Approved Annual Audit Plan
- FY 2015 Annual Report
- FY 2016 Approved Internal Audit Strategy
- FY 2017 Approved Internal Audit Strategy

Upon completion, this report will also be posted on the DPS website. At this time, no weaknesses or concerns have been raised by either the audit plan or the annual report.

II. Internal Audit Plan for Fiscal Year 2016

III. Consulting Services and Nonaudit Services Completed

The DPS CAO FY2016 Internal Audit Strategy was approved in the August 27, 2015, PSC Meeting. The column marked "Internal Audit Strategy" ties the FY16 CAO efforts to the approved strategy.

Project		Internal Audit Strategy							Status	
		Contract Mgmt	CYberSecurity	Grants Mgmt	Driver License	Information Technology	Efficiency/Effectiveness	Routine Audit		Other
Audits (Assurance Projects)										
16-005	FY16 Follow-Up							✓		Carry Fwd to FY17
16-104	(15-018) Hiring Process							✓		Reporting
16-105	(15-019) Follow-Up Audit: Cash Management							✓	✓	REPORT
16-106	(15-020) Follow-Up Audit: Crime Lab							✓	✓	REPORT
16-112	2016 Field Administration Audit								✓	Carry Fwd to FY17
Management Requests, Special Projects, Advisory Services										
16-101	FY 2015 TDEM Conference Audit								✓	Complete
16-102	(15-007) Contract with MicroAssist	✓								Complete
16-103	(15-017) CyberSecurity Identification		✓							Complete
16-104a	(15-018a) I-9 Compliance							✓		Memo
16-108	OST Dashboard - WebEOC Data Reconciliation							✓		In Progress
16-110	DL Improvement Funding				✓					Memo
16-113	USAS/USPS Access Compliance		✓	✓		✓				In Progress
16-201	FY 2015 A-133 Subrecipient Monitoring Advisory		✓							Fieldwork
16-202	North Texas Tollway Authority Contract	✓								Complete
16-204	FEMA Management Decision Letter for FY 2014 Single Audit Findings		✓							Complete
16-205	Management Review Committee (DR Process)								✓	Complete
16-206	TDEM Grant Closeout Process		✓							In Progress
16-208	Fuel Card Process Redesign							✓		Carry Fwd

Project		Internal Audit Strategy							Status
		Contract Mgmt	CYberSecurity	Grants Mgmt	Driver License	Information Technology	Efficiency/Effectiveness	Routine Audit	
									to FY17
16-209	SSA SPARS Approval Validations	✓	✓						Complete
Special Investigatory Assistance - EEO, OIG, SAO Hotline									
16-400	The Chief Auditor's Office serves as a central point of contact for hotline complaints forwarded to the Department by the SAO.	✓					✓	✓	N/A
External Audits/Reviews									
16-500	The Chief Auditor's Office serves as a liaison for all external audits/reviews of the Department. The Department is routinely audited by entities such as the State Auditor's Office (SAO), the Department of Homeland Security – Office of the Inspector General, the Office of the Governor, and FEMA. The Department underwent several external audits and reviews during FY2016.	✓	✓	✓		✓	✓	✓	N/A
CAO Administration									
16-001	FY15 CAO Annual Report							✓	REPORT
16-003	CAO Quality Assurance Review (Peer Review)							✓	REPORT
16-006	FY17 CAO Risk Assessment and Audit Strategy Development							✓	REPORT

IV. External Quality Assurance Review (Peer Review)

The DPS Chief Auditor’s Office periodically undergoes an external quality assurance review (QAR) as required by professional standards and the Texas Internal Auditing Act. In the most recent QAR, dated March 2016, the office received an overall opinion of “Pass/Generally Conforms” which was the highest of possible ratings. The following is an excerpt from that report:

Overall Opinion

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Department of Public Safety Chief Auditor’s Office receives a rating of

Pass/Generally Conforms

and is in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (*Texas Government Code*, Chapter 2102). This opinion, ***which is the highest of the three possible ratings***, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for providing assurance and consulting engagements in conformance with professional auditing standards.

The annual audit plan and individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are reported, as required.

Internal Audit has sufficient independence to perform its work. Surveys and interviews conducted during the quality assurance review indicated that management considers Internal Audit a useful part of the overall agency operations; however, opportunities to further communicate and engage management in the value proposition of Internal Audit were identified. Overall, management agreed that additional value could be gained through Internal Audit’s demonstrated focus on collaboration, while maintaining its independence.

V. Internal Audit Plan for Fiscal Year 2017

The *DPS Chief Auditor's Office Fiscal Year 2017 Internal Audit Strategy* was approved at the Public Safety Commission meeting held on August 25, 2016. The Fiscal Year 2017 Internal Audit Strategy was developed based on a risk assessment which considered such factors as budget, extent of grants/contracts, prior audits/reviews, staffing, and stakeholder input.

Texas Department of Public Safety
Chief Auditor's Office

Fiscal Year 2017 Internal Audit Strategy

For the Period September 2016 – August 2017

Internal Audit Assurance and Consulting/Advisory Engagement Areas

- Contract Management
- Grants Management
- Driver License Operations
- Efficiency and Effectiveness of Business Processes
- Financial Controls and Processes
- Information Technology
- CyberSecurity
- Reserve for Special Projects and Requests

Routine Internal Audit Efforts

- Field Administration Reviews
- Follow-Up Program:
 - Follow-Up Audits
 - Status of Outstanding Findings/Recommendations
- Annual Texas Emergency Management Conference

Coordination of External Audits/Reviews

- Statewide Single Audit – SAO/KPMG
- Other External Audits/Reviews – State Auditor's Office, DHS-OIG, Office of the Governor, FEMA, etc.

Mandatory Internal Audit Activities

- Quality Assurance and Improvement Program
- Continuing Professional Education
- Development of the Fiscal Year 2018 Internal Audit Strategy

Other Internal Audit Activities

- Service to the Profession
- Administration of the Chief Auditor's Office

Page 4 of 7

VI. External Audit Services Procured in Fiscal Year 2016

Service	SAO Delegation
<i>Audit of Forensic Crime Laboratories</i>	405-2016-001
<i>Audit of Federal Emergency Management Public Assistance Grants for Fiscal Year 2016</i>	405-2016-002

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

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.

VIII. Other Internal Audit Activities

Activity	Description
Professional Credentials	During FY 2016, CAO staff pursued professional certifications and advanced degrees. These included certification as Certified Internal Auditor, Certified Public Accountant, and Certified Government Auditing Professional. The CAO staff members hold numerous professional certifications and 128 years of 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.
Continuing Professional Education	Professional standards require each internal auditor to obtain 40 hours of continuing professional education annually. The Chief Auditor’s Office strives to conserve and maximize its budget while seeking quality continuing professional education to develop and enhance our professional competencies to better serve the Department.
Office of Inspector General Assistance	CAO provides forensic accounting and auditing assistance to the Office of Inspector General.
External Auditor Liaison	CAO served as the official contact point and liaison for 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"> • State Agency Internal Audit Forum (SAIAF) • Association of Certified Fraud Examiners (ACFE) • Institute of Internal Auditors (IIA) • Information Systems Audit and Control Association (ISACA) • International Law Enforcement Auditors Association (ILEAA)

Activity	Description
Professional Speaking	<ul style="list-style-type: none"> • Chief Auditor Catherine A. Melvin and Susan Oballe co-presented at the Association of Government Accountants (AGA) entitled “It’s About the Process – Applying a Process-Based Approach to Improve Controls”, January 2016 • Chief Auditor Catherine A. Melvin presented at the UT Austin LBJ School – Executive Master in Public Leadership Program entitled “Internal Audit in the Public Sector”, April 2016 • Chief Auditor Catherine A. Melvin presented at the 2016 Annual Texas Emergency Management Conference entitled “State Contracting Requirements”, April 2016 • Chief Auditor Catherine A. Melvin co-presented at the 2016 Annual International Association of Chiefs of Police (IACP) entitled “Recruiting, Retaining, and Rewarding Women in Law Enforcement”, October 2016 • Susan Oballe co-presented with Nancy H. Walden at the Texas Department of Public Safety – Command College
Ride-Alongs	<p>CAO staff members have rode along with Texas State Troopers 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 and advisory services, we continue to promote the prevention and detection of fraud, waste and abuse.</p>

REPORT DISTRIBUTION

INTERNAL DISTRIBUTION

Public Safety Commission

A. Cynthia Leon, Chairman
Manny Flores, Commissioner
Faith Johnson, Commissioner
Steven P. Mach, Commissioner
Randy Watson, Commissioner

Director's Staff

Steve C. McCraw, Director
David Baker, Deputy Director, Law Enforcement
Robert Bodisch, Deputy Director, Homeland Security and Services

Inspector General

Rhonda Fleming, Inspector General

Office of General Counsel

Phillip Adkins, General Counsel

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