

State of Texas

Department of Public Safety

Chief Auditor's Office

Catherine A. Melvin, Chief Auditor



FY2017 Annual Report

October 2017

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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Jason K. Pulliam, Commissioner
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October 31, 2017

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 2017.

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, 2017.

Fiscal year 2017 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 2018 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 2017	2
III.	Consulting Services and Nonaudit Services Completed	2
IV.	External Quality Assurance Review (Peer Review).....	5
V.	Internal Audit Plan for Fiscal Year 2018.....	6
VI.	External Audit Services Procured in Fiscal Year 2017	7
VII.	Reporting Suspected Fraud and Abuse	8
VIII.	Other Internal Audit Activities	9

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 2016 Annual Report
- FY 2017 Approved Internal Audit Strategy
- FY 2018 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 2017

III. Consulting Services and Nonaudit Services Completed

The DPS CAO FY2017 Internal Audit Strategy was approved in the August 25, 2016, PSC Meeting. The column marked “Internal Audit Strategy” ties the FY17 CAO efforts to the approved strategy.

Project		Internal Audit Strategy								Status
		Contract Mgmt	Grants Mgmt	Driver License	Efficiency/ Effectiveness	Fin'l Controls and Processes	IT/Cyber Security	Routine Audit	Other	
Audits (Assurance Projects)										
17-101	P-Card Process				✓	✓				In Progress
17-102	Border Security Data Validation								✓	In Progress
17-104	(15-018a) Hiring Audit				✓					Report
17-105	Law Enforcement Services Lab Drug Vault Inventory							✓		In Progress
17-106	2016 Texas Emergency Management Conference							✓		In Progress
17-107	Status of Sunset Recommendations								✓	Memo
17-108	IT Incident Management						✓			Carry Fwd to FY18
Management Requests, Special Projects, Advisory Services										
17-201 PI	(16-208) Fuel Card Process Redesign		✓							Carry Fwd to FY18
17-202	Texas Highway Patrol Performance Observation Brainstorming									Complete
17-203	Nepotism Research								✓	In Progress
17-204	Texas Division of Emergency Management Professional Services Contractors		✓							Carry Fwd to FY18
17-205 PI	Texas Highway Patrol Weekly Reporting Process Improvement				✓					Carry Fwd to FY18
17-206	Driver License Assist – Commercial Driver License Third Party Testing Requirements			✓						Complete
17-207 PI	Procurement Process Improvement Assistance				✓					Complete
17-208	(15-002, 16-002) Driver License Continuous Monitoring			✓						Complete

Project		Internal Audit Strategy								Status
		Contract Mgmt	Grants Mgmt	Driver License	Efficiency/ Effectiveness	Fin'l Controls and Processes	IT/Cyber Security	Routine Audit	Other	
17-209 PI	Communication Improvement Fleet/Legal/Texas Highway Patrol (crash vehicles, radio/cameras)				✓					Complete
17-210	Texas Division of Emergency Management Small Projects Validation		✓							Complete
17-211 PI	Human Resources Focus Group				✓					Complete
17-214	85 th Legislature								✓	Complete
17-215	Texas Division of Emergency Management – Hazard Mitigation		✓							Complete
17-216	Texas Division of Emergency Management – Risk Assessment Consolidation		✓							Carry Fwd to FY18
17-217 PI	Law Enforcement Services Crime Laboratory – Sexual Assault Kits				✓					Carry Fwd to FY18
17-218 PI	Crash Vehicle Process				✓					Complete
Special Investigatory Assistance - EEO, OIG, SAO Hotline										
17-400	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										
17-500	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 FY2017.	✓	✓	✓	✓	✓	✓	✓	✓	N/A
CAO Administration										
17-001	FY16 CAO Annual Report								✓	Report
17-002	FY18 CAO Risk Assessment and Audit								✓	Report

Project	Internal Audit Strategy							Status
	Contract Mgmt	Grants Mgmt	Driver License	Efficiency/ Effectiveness	Fin'l Controls and Processes	IT/Cyber Security	Routine Audit	
Strategy Development								

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 2018

The *DPS Chief Auditor's Office Fiscal Year 2018 Internal Audit Strategy* was approved at the Public Safety Commission meeting held on August 24, 2017. The Fiscal Year 2018 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 2018 Internal Audit Strategy

For the Period September 2017 – August 2018

Internal Audit Assurance and Consulting/Advisory Engagement Areas

1. Contract Management
2. Grants Management
3. Licensing and Regulatory Services
4. Efficiency and Effectiveness of Business Processes
5. Financial Controls and Processes
6. Information Technology/CyberSecurity
7. Reserve for Special Projects and Requests

Routine Internal Audit Efforts

8. Field Administration Reviews
9. Follow-Up Program:
 - a. Follow-Up Audits
 - b. Status of Outstanding Findings/Recommendations
10. Annual Texas Emergency Management Conference

Coordination of External Audits/Reviews

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

Mandatory Internal Audit Activities

13. Quality Assurance and Improvement Program
14. Continuing Professional Education
15. Development of the Fiscal Year 2019 Internal Audit Strategy

Other Internal Audit Activities

16. Service to the Profession
17. Administration of the Chief Auditor's Office

Page 4 of 7

VI. External Audit Services Procured in Fiscal Year 2017

Service	SAO Delegation
<i>Audit of Federal Emergency Management Public Assistance Grants for Fiscal Year 2018</i>	405-2017-001

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 2017, 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 proudly hold numerous professional certifications and a combined 126 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 as requested.
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"> • Audit Manager Nancy H. Walden taught at DPS Command College on the Leadership Challenge “Enlisting Others” and “Encouraging the Heart”, September 5, 2016 • Audit Manager Susan Oballe taught at DPS Command College on the Leadership Challenge “Recognize Contributions”, September 13, 2016 • Audit Manager Nancy H. Walden taught at DPS Command College on the Leadership Challenge “Strengthening Others”, September 17-18, 2016 • Audit Managers Nancy H. Walden and Susan Oballe taught at DPS Leadership Development School “Introduction to Internal Audit”, December 8, 2016, February 27, 2017 & July 27, 2017 • Chief Auditor Catherine A. Melvin presented at the International Chiefs of Police (IACP) Annual Conference, “Recruiting, Retaining, and Rewarding Women in Law Enforcement”, October 18, 2016 • Audit Manager Nancy H. Walden taught at DPS Leadership College “Project Management”, January 23 – 25, 2017 & May 15-17, 2017 • Audit Manager Nancy H. Walden taught at DPS Command College on the Leadership Challenge “Encouraging the Heart”, March 14, 2017 • Chief Auditor Catherine A. Melvin presented at the University of Texas LBJ School, Executive Masters in Public Leadership Program, “Internal Audit in the Public Sector”, March 25, 2017 • Chief Auditor Catherine A. Melvin presented at the National Grants Management Association (NGMA) Annual Conference, “Hit a Homerun! Team Up With Internal Audit”, April 19, 2017 • Audit Manager Nancy H. Walden presented at DPS Command College on “Why Fitness is Important to Leadership”, July 11, 2017

Activity	Description
Professional Speaking (Continued)	<ul style="list-style-type: none"> • Audit Manager Susan Oballe co-taught with DL ADD Tony Rodriguez at DPS Command College on the Practical Lessons in Leadership “Top 10 Challenges You Face as a New Leader”, “Growing Your Personal Credibility Account”, and “Leveraging Feedback as a Powerful Tool”, May 2, 2017 • Audit Managers Nancy H. Walden, Susan Oballe and Susan Jockisch (June 2017) taught at DPS Leadership College on “Key Processes and Internal Controls”, March 24, 2017 & June 19, 2017 • Chief Auditor Catherine A. Melvin and Audit Manager Nancy H. Walden presented at the National Grants Management Association with “Hit a Homerun! Team Up with Internal Audit!”, April 18, 2017 • Chief Auditor Catherine A. Melvin presented at the Texas Emergency Management (TEM) Annual Conference, “Inside Out – Managing Change”, May 17, 2017
Fraud Waste and Abuse Prevention	Through our audit and advisory services, we continue to promote the prevention and detection of fraud, waste and abuse.

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INTERNAL DISTRIBUTION

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