

State of Texas

Department of Public Safety

Chief Auditor's Office

Catherine A. Melvin, Chief Auditor



FY2018 Annual Report

October 2018

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

A. Cynthia Leon, Commissioner

Jason K. Pulliam, Commissioner

Randy Watson, Commissioner

CHIEF AUDITOR'S OFFICE

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

R. Eric Ramos, CIA, CFE, CLEA, Assistant Chief

Isis I. Johnson, Executive Assistant

Carrie S. Green, LSS Black Belt, Process Improvement Manager

Susan K. Oballe, CGAP, CIA, CISA, Internal Audit Manager

Nancy H. Walden, CGAP, CIA, CISA, CRMA, Internal Audit Manager

Steven L. Clark

Katie Fitch, CPA

Elizabeth Hanke

James Kim, CPA

Abed Nader, LSS Green Belt

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October 31, 2018

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 2018.

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, 2018.

Fiscal year 2018 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 2019 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

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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 2017 Annual Report
- FY 2018 Approved Internal Audit Strategy
- FY 2018 Annual Report
- FY 2019 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 2018

III. Consulting Services and Nonaudit Services Completed

The DPS CAO FY2018 Internal Audit Strategy was approved in the August 24, 2017, PSC Meeting. The column marked “Internal Audit Strategy” ties the FY18 CAO efforts to the approved strategy.

Project		Internal Audit Strategy								Status
		Contract Mgmt	Grants Mgmt	Driver License	Efficiency/ Effectiveness	Fin'l Cris & Processes	IT/Cyber Security	Routine Audit	Other	
Audits (Assurance Projects)										
18-101	Law Enforcement Services Crime Lab Drug Vault Inventory (Combined with 17-105)							✓		Complete
18-102	Payment Card (Combined with 17-101)				✓	✓				Complete
18-103	Asset Forfeiture				✓	✓				In Progress
18-104	Travel Audit				✓	✓				In Progress
18-105a	Selected Contracts Audit	✓								In Progress
18-105b	Selected Contracts Audit	✓								In Progress
Management Requests, Special Projects, Advisory Services										
18-201	Commercial Driver License 3 rd Party Testing Training			✓						Complete
18-202	Information Technology Incident Management (c/o 17-108)						✓			Complete
18-203	Hurricane Harvey Monitoring			✓						Pending
18-204	Driver License System Access Review				✓		✓			Complete
18-205	Office of the Inspector General Assist – THP EIS Database								✓	Complete
18-206	Contract Process and Risk Assessment	✓								Complete
18-207	Flowchart of Driver License Payments Process			✓						Complete
18-208	Office of the Inspector General Assist – Promotional System								✓	Complete
18-209	Regulatory Services Division Vehicle Inspection Risk Based Audit Proposal				✓				✓	Complete

Project		Internal Audit Strategy								Status
		Contract Mgmt	Grants Mgmt	Driver License	Efficiency/ Effectiveness	Fin'l Ctrls & Processes	IT/Cyber Security	Routine Audit	Other	
18-210	LES-Crime Lab – Sexual Assault Kit Process				✓					
Special Investigatory Assistance - EEO, OIG, SAO Hotline										
18-400s	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										
18-500s	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 FY2018.	✓	✓	✓	✓	✓	✓	✓	✓	N/A
CAO Administration										
18-001	FY17 CAO Annual Report								✓	Report
18-002	FY19 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 2019

The *DPS Chief Auditor's Office Fiscal Year 2019 Internal Audit Strategy* was approved at the Public Safety Commission meeting held on August 31, 2018.

Texas Department of Public Safety
Chief Auditor's Office

Fiscal Year 2019 Internal Audit Strategy

For the Period September 2018 – August 2019

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 Resources - IT/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, Comptroller'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 2020 Internal Audit Strategy

Other Internal Audit Activities

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

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VI. External Audit Services Procured in Fiscal Year 2018

Service	SAO Delegation
Audit of Federal Emergency Management Public Assistance Grants for Fiscal Year 2018/2019	405-2018-001

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 2018, 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 38 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"> • Chief Auditor Catherine A. Melvin and Audit Manager Nancy H. Walden presented at the IIA Southern Regional Conference “Bridging the Gap”, September 18, 2017 • Chief Auditor Catherine A. Melvin and Audit Manager Nancy H. Walden presented at TSCPA Single Audit and Governmental Accounting Conference “Hit a Home Run! Team Up With Internal Auditors”, October 2, 2017 • Chief Auditor Catherine A. Melvin, Assistant Chief R. Eric Ramos and Audit Managers Nancy H. Walden presented the “UT Student Project”, December 4, 2017 • Chief Auditor Catherine A. Melvin organized and presented at the IIA January Seminar “Building the Future Internal Auditors”, January 23, 2018 • Chief Auditor Catherine A. Melvin and Audit Manager Nancy H. Walden presented at the IIA Houston Seminar “Bridging the Gap”, February 21, 2018 • Chief Auditor Catherine A. Melvin presented at TFOA, Week 3 Committee, “The Value and Role of Internal Audit”, April 26, 2018 • Internal Audit Managers Susan Oballe and Nancy Walden regularly presented to the DPS Leadership Academy cohorts throughout FY18 regarding the role of Internal Audit and the importance of internal controls.
Fraud Waste and Abuse Prevention	Through our audit and advisory services, we continue to promote the prevention and detection of fraud, waste and abuse.

REPORT DISTRIBUTION

INTERNAL DISTRIBUTION

Public Safety Commission

Steven P. Mach, Chairman
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Jason K. Pulliam, Commissioner
Randy Watson, Commissioner

Director's Staff

Steve C. McCraw, Director
Skylor Hearn, Deputy Director, Administration and Services
Freeman F. Martin, Deputy Director, Homeland Security/Chief of Staff
Randall B. Prince, Deputy Director, Law Enforcement

Inspector General

Rhonda Fleming, Inspector General

Office of General Counsel

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