

# State of Texas

## Department of Public Safety

Chief Auditor's Office

Catherine A. Melvin, Chief Auditor



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FY2019 Annual Report

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October 2019

**DPS CHIEF AUDITOR'S OFFICE**

**MISSION STATEMENT**

Our mission is to advise the Department in achieving its strategic and operational goals by providing risk-based and objective assurance, advice, and insight.

**VISION**

Excellence in progressive internal auditing through quality-focused innovation and partnership.

**PUBLIC SAFETY COMMISSION**

Steven P. Mach, Chairman  
A. Cynthia Leon, Commissioner  
Steve H. Stodghill, 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

Nikolaos D. Alexander  
Steven L. Clark  
Katie Fitch, CPA  
Carrie S. Green. LSS Black Belt  
Elizabeth Hanke  
Stephanie M. Hernandez  
Susan K. Oballe, CGAP, CIA, CISA  
Katambra D. Rose  
Abigail L. Simpson  
John Todd, Peace Officer  
Nancy H. Walden, CGAP, CIA, CISA, CRMA  
Tammara E. West, CGAP, CIA  
Jacob M. Whitley, CGAP  
Jennifer Wu, CISA

# TEXAS DEPARTMENT OF PUBLIC SAFETY

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DIRECTOR  
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DEPUTY DIRECTORS

CHIEF AUDITOR'S OFFICE  
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COMMISSION  
STEVEN P. MACH, CHAIRMAN  
A.CYNTHIA LEON  
STEVE H. STODGHILL

October 31, 2019

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 2019.

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, 2019.

Fiscal year 2019 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 2020 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 its approved audit plans and annual reports on the DPS website.

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 2019

## III. Consulting Services and Nonaudit Services Completed

The DPS CAO FY2019 Internal Audit Strategy was approved in the August 31, 2018, PSC Meeting. The column marked "Internal Audit Strategy" ties the FY19 CAO efforts to the approved strategy.

Project		Internal Audit Strategy								Status
		Contract Mgmt	Grants Mgmt	Licensing & Regulatory Svcs	Efficiency/Effectiveness	Fin'l Controls and Processes	IT/Cyber Security	Routine Audit	Other	
Audits (Assurance Projects)										
19-101	Asset Forfeiture					✓				Complete
19-102	Travel Audit					✓				Complete
19-104	DLS Special Request			✓						Complete
19-105	IT Systems and Network Access (Provisioning) Process						✓			FY 2020
19-106	Field Administration							✓		FY 2020
19-107	RSD Audit – LTC Criminal History Background Check Process			✓						FY 2020
Management Requests, Special Projects, Advisory Services										
19-103	Contracting Process Advisory Project	✓								Complete
19-201	LES-Crime Lab - Sexual Assault Kits - Houston & Garland (c/o 18-210)				✓					Complete
19-202	DL - Transaction Time Advisory			✓	✓					Complete
19-203	LES - Crime Lab Lab Analyst Testing Process				✓					Complete
19-204	VESS - Minitab Assistance with Academy data				✓					Complete
19-205	LES - Crime Lab Visits				✓					Complete
19-206	Office General Counsel – Manpower Allocation Review				✓					Complete
19-207	Payment of Meals During Incidents Inquiry					✓				Complete
19-208	Accounts Payable Process Improvement				✓	✓				FY 2020
19-209	Voyager One Card Pilot Project					✓				FY 2020



Project		Internal Audit Strategy							Status	
		Contract Mgmt	Grants Mgmt	Licensing & Regulatory Svcs	Efficiency/ Effectiveness	Fin'l Controls and Processes	IT/ Cyber Security	Routine Audit		Other
Special Investigatory Assistance - EEO, OIG, SAO Hotline										
19-400s	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										
19-500s	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 FY2019.	✓	✓	✓	✓	✓	✓	✓	✓	N/A
CAO Administration										
19-001	FY18 CAO Annual Report								✓	Complete
19-002	FY20 CAO Risk Assessment and Audit Strategy Development								✓	Complete
19-003	Internal Quality Assurance Review								✓	Complete

#### 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 October 2019, 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 Department of Public Safety (Department), Chief Auditor’s Office (CAO) 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 ensuring the independence, objectivity, and proficiency of the internal audit function.

We found that the CAO is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The CAO is well managed. In addition, the CAO has effective relationships with the Board and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers the CAO a useful part of overall agency operations and finds that the audit process and report recommendations add value and help improve the agency. The CAO has reviewed the results of the peer review team’s work and has accepted them to be an accurate representation of the CAO’s operation.

## V. Internal Audit Plan for Fiscal Year 2020

The *DPS Chief Auditor's Office Fiscal Year 2020 Internal Audit Strategy* was approved at the Public Safety Commission meeting held on October 10, 2019. The Fiscal Year 2020 Internal Audit Strategy was developed based on an assessment of the risk environment facing the Department. The risk assessment process incorporates stakeholder input, auditor judgment, and relative risk to propose the strategic direction for CAO efforts in the coming year.

Texas Department of Public Safety  
Chief Auditor's Office

### Fiscal Year 2020 Internal Audit Strategy

For the Period September 2019 – August 2020

**Internal Audit Assurance and Consulting/Advisory Engagement Areas**

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

**Routine Internal Audit Efforts**

7. Field Administration Reviews
8. Follow-Up Program:
  - a. Follow-Up Audits
  - b. Status of Outstanding Findings/Recommendations

**Coordination of External Audits/Reviews**

9. Statewide Single Audit – SAO
10. Other External Audits/Reviews – State Auditor's Office, Comptroller's Office, Office of the Governor, federal agencies, etc.

**Mandatory Internal Audit Activities**

11. Quality Assurance and Improvement Program
12. Continuing Professional Education
13. Development of the Fiscal Year 2021 Internal Audit Strategy

**Other Internal Audit Activities**

14. Service to the Profession
15. Administration of the Chief Auditor's Office

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## VI. External Audit Services Procured in Fiscal Year 2019

Service	SAO Delegation
<i>Audit of Federal Emergency Management Public Assistance Grants for Fiscal Year 2018</i>	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 2019, 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	CAO staff actively supported professional organizations by participating and/or serving in professional audit organizations including: <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>• International Law Enforcement Auditors Association (ILEAA)</li></ul>

Activity	Description
Professional Speaking	<ul style="list-style-type: none"> <li>• Chief Auditor Catherine A. Melvin presented a webinar hosted by the Institute of Internal Auditors, <b>“Auditing Grants in the Public Sector”</b>, February 20, 2019.</li> <li>• Chief Auditor Catherine A. Melvin presented to the UT Austin Executive Masters in Public Leadership class, <b>“The Value and Role of Internal Audit”</b>, March 9, 2019.</li> <li>• Chief Auditor Catherine A. Melvin organized and presented at the Austin Chapter Institute of Internal Auditors, <b>“Emphasize the Basics. Elevate the Standards”</b>, April 9, 2019.</li> <li>• Audit Manager Susan K. Oballe and Sr. Auditor Katambra Rose presented at the Texas Department of Public Safety – Leadership Development School on <b>“CAO – Internal Audit”</b>, February 6, 2019, April 4, 2019, August 15, 2019 and October 24, 2019.</li> <li>• Audit Manager Carrie S. Green presented at the Texas Department of Public Safety Leadership Forum on <b>“Performance Measurement”</b>, September 24, 2019.</li> </ul>
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  
A. Cynthia Leon, Commissioner  
Steve H. Stodghill, Commissioner

#### **Director's Staff**

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

#### **Inspector General**

Phillip Ayala, Inspector General

#### **Office of General Counsel**

Phillip Adkins, General Counsel

### **EXTERNAL DISTRIBUTION**

#### **Legislative Budget Board**

#### **Governor's Office**

#### **State Auditor's Office**

#### **Sunset Advisory Commission**