State of Texas
Department of Public Safety
Chief Auditor’s Office
Catherine A. Melvin, Chief Auditor

FY2020 Annual Report

November 2020
MISSION
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
Nelda Blair, Commissioner
Steve H. Stodghill, Commissioner
Dale Wainwright, 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
Elizabeth Hanke
Stephanie M. Hernandez
Adam Koppi, CFE
Susan K. Oballe, CGAP, CIA
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
November 1, 2020

The Honorable Gregg Abbott, Governor
The Legislative Budget Board
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 2020.

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 minimum content. This report has been prepared in accordance with the State Auditor’s content requirements and is current through November 1, 2020.

Fiscal year 2020 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 2021 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,

Catherine A. Melvin, CPA, CIA, CLEA
Chief Auditor
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I. **Compliance with Texas Government Code §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 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
- FY 2019 Annual Report
- FY 2020 Approved Internal Audit Strategy
- FY 2021 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 2020

III. Consulting Services and Nonaudit Services Completed

The Internal Audit Plan for the Department of Public Safety is approved as the DPS CAO Internal Audit Strategy. The FY2020 Internal Audit Strategy was approved in the October 10, 2019, Public Safety Commission Meeting. The columns marked under “Internal Audit Strategy” tie the FY20 CAO efforts to the approved strategy.

<table>
<thead>
<tr>
<th>Project</th>
<th>Internal Audit Strategy</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Procurement &amp; Contract Mgmt</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Licensing &amp; Regulatory</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Efficiency/Effectiveness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial Orgs &amp; Processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>IT/Cyber Security</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Routine Audit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>Audits (Assurance Projects)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-101</td>
<td>IT Systems and Network Access (Provisioning) Process</td>
<td>✓</td>
</tr>
<tr>
<td>20-103</td>
<td>License to Carry a Handgun Criminal History Background Check Process</td>
<td>✓</td>
</tr>
<tr>
<td>20-104</td>
<td>Payroll</td>
<td>✓</td>
</tr>
<tr>
<td>20-105</td>
<td>Fleet Operations</td>
<td>✓</td>
</tr>
<tr>
<td>20-107</td>
<td>Performance Measures</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Management Requests, Special Projects, Advisory Services (may not result in a written report)**

<table>
<thead>
<tr>
<th>Project</th>
<th>Internal Audit Strategy</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-201</td>
<td>Accounts Payable Process Improvement (c/o 19-208)</td>
<td>✓</td>
</tr>
<tr>
<td>20-202</td>
<td>Field Administration (Advisory Project)</td>
<td>✓</td>
</tr>
<tr>
<td>20-203</td>
<td>Contract Review Board Process</td>
<td>✓</td>
</tr>
<tr>
<td>20-204</td>
<td>Voyager One Card Project (c/o 19-209)</td>
<td>✓</td>
</tr>
<tr>
<td>20-205</td>
<td>RSD - LTC Appeal Process</td>
<td>✓</td>
</tr>
<tr>
<td>20-206</td>
<td>DL - Policy Group</td>
<td>✓</td>
</tr>
<tr>
<td>20-207</td>
<td>OIG - Caseload Metrics</td>
<td>✓</td>
</tr>
<tr>
<td>20-208</td>
<td>TDCJ - Assistance with Blue Warrant Count in TCIC/NCIC</td>
<td>✓</td>
</tr>
<tr>
<td>20-210</td>
<td>Data Framework</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>DL Call Center Metrics</td>
<td>✓</td>
</tr>
<tr>
<td>Project</td>
<td>Internal Audit Strategy</td>
<td>Status</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>20-211</td>
<td>COVID-19 Metrics &amp; Response Assistance</td>
<td>Complete</td>
</tr>
<tr>
<td>20-400s</td>
<td>The Chief Auditor’s Office serves as a central point of contact for hotline complaints forwarded to the Department by the SAO.</td>
<td>✓ N/A</td>
</tr>
<tr>
<td>20-500s</td>
<td>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 underwent several external audits and reviews during FY2020.</td>
<td>✓ ✓ ✓ ✓ ✓ ✓ ✓ N/A</td>
</tr>
</tbody>
</table>

**Special Investigatory Assistance - EEO, OIG, SAO Hotline**

**External Audits/Reviews**

**CAO Administration**

<table>
<thead>
<tr>
<th>Project</th>
<th>FY2020 CAO Annual Report</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-001</td>
<td>FY19 CAO Risk Assessment and Audit Strategy Development</td>
<td>✓ Complete</td>
</tr>
<tr>
<td>20-002</td>
<td>Quality Assurance Review</td>
<td>✓ Complete</td>
</tr>
<tr>
<td>20-003</td>
<td>Quality Assurance Review</td>
<td>✓ Complete</td>
</tr>
<tr>
<td>20-004</td>
<td>Quality Assurance and Improvement Program (QAIP for Calendar Year 2019)</td>
<td>✓ Complete</td>
</tr>
</tbody>
</table>
IV. Quality Assurance and Improvement Program

The Chief Auditor has implemented a quality assurance and improvement program that covers all aspects of the internal audit function. In addition to evaluating the CAO’s conformance to required professional standards and the IIA Code of Ethics, the program also assesses the efficiency and effectiveness of the internal audit function and identifies opportunities for improvement. The quality assurance and improvement program includes both internal and external assessments.

A. Internal Quality Assurance Review (Assessments)

The DPS Chief Auditor’s Office internal assessments include ongoing monitoring of the performance of the internal audit function and periodic self-assessments.

Ongoing monitoring is exhibited through day-to-day supervision, review, and measurement of the internal audit function. Ongoing monitoring is incorporated into the routine policies and practices used to manage the office and includes practices necessary to evaluate conformance with required professional standards and the IIA Code of Ethics.

In addition to the ongoing monitoring as described above, the DPS Chief Auditor’s Office also undergoes a comprehensive annual internal self-assessment. The most recent comprehensive internal self-assessment was completed in August 2020.
B. 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 the resulting certificate and an excerpt from that report:

![Certificate Image]
Texas Department of Public Safety
Chief Auditor's Office

External Quality Assurance Review – October 2019

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 Standards for the Professional Practice of Internal Auditing 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 operations.

ACKNOWLEDGEMENTS

We appreciate the courtesy and cooperation extended to us by the Chief Audit Executive, CAO staff, the Members of the Public Safety Commission, the Director, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the quality assurance review. The feedback from the surveys and the interviews provided valuable information regarding the operations of the CAO and its relationship with management.

Rene Valdez
Director of Internal Audit
Texas Education Agency
SAIAF Peer Review Team Leader

DaQuiny Adams
Internal Audit Manager
Texas General Land Office
SAIAF Peer Review Team Member

Edward Maldonado
Internal Auditor
Texas General Land Office
SAIAF Peer Review Team Member
V. Internal Audit Plan for Fiscal Year 2021

The DPS Internal Audit Plan for fiscal year 2021 was approved as the DPS Chief Auditor’s Office Fiscal Year 2021 Internal Audit Strategy at the Public Safety Commission meeting held on October 13, 2020.

The Chief Auditor’s Office develops the proposed Internal Audit Strategy by first assessing the risk environment facing the Department. This assessment is a systematic process for assessing risk to the Department and integrating professional judgments. The risk assessment process provides a means of organizing and integrating professional judgments for development of the work priorities. Critical functional areas with higher risk are assigned higher audit priorities. The risk assessment process leads the Chief Auditor’s Office to propose priorities which become the Internal Audit Strategy upon the Public Safety Commission’s approval.

In addition to identifying individual audits to be conducted during the year, the Internal Audit Strategy ensures the Chief Auditor’s Office aligns its efforts during the fiscal year with the priorities as approved by the Public Safety Commission. These efforts include reviews of the Departments major systems and controls, including accounting, administrative, and information technology systems and controls. The Chief Auditor’s Office also considers the Department’s methods for ensuring compliance with contract processes and controls, and for monitoring agency contracts.
Fiscal Year 2021 Internal Audit Strategy
For the Period September 2020 – August 2021

Internal Audit Assurance and Consulting/Advisory Efforts
1. Procurement and Contracting
2. Information Technology and Cybersecurity
3. Licensing and Regulatory Services
4. Reporting and Statistics
5. Completion of FY20 Projects in Progress
6. Emerging Risks (Rapid Response Projects, as requested)

Routine Internal Audit Efforts
7. Field Administration Review
8. Follow-Up Program
9. Efficiency and Effectiveness of Business Processes

Coordination of External Audits/Reviews
10. Statewide Single Audit – State Auditor’s Office with Clifton Larson Allen
11. Other External Audits/Reviews – State Auditor’s Office, Comptroller’s Office, etc.

Mandatory Internal Audit Activities
12. Quality Assurance and Improvement Program
13. Continuing Professional Education
14. Development of the Fiscal Year 2022 Internal Audit Strategy

Other Internal Audit Activities
15. Service to the Profession
16. Administration of the Chief Auditor’s Office
External Audit Services Procured in Fiscal Year 2020

The Chief Auditor’s Office is not aware of any external audit services procured in fiscal year 2020.
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 Section 7.09, page IX-37, the General Appropriations Act (86th 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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Credentials</td>
<td>During FY 2020, 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 135.36 years of experience providing assurance and advisory services.</td>
</tr>
<tr>
<td>Ongoing Quality Assurance and Improvement Program (QAIP)</td>
<td>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.</td>
</tr>
<tr>
<td>Continuing Professional Education</td>
<td>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.</td>
</tr>
<tr>
<td>External Auditor Liaison</td>
<td>CAO served as the official contact point and liaison for external audits and reviews of DPS activities.</td>
</tr>
<tr>
<td>Professional Organizations</td>
<td>CAO staff actively supported professional organizations by participating and/or serving in professional audit organizations including:</td>
</tr>
<tr>
<td></td>
<td>• State Agency Internal Audit Forum (SAIAF)</td>
</tr>
<tr>
<td></td>
<td>• Association of Certified Fraud Examiners (ACFE)</td>
</tr>
<tr>
<td></td>
<td>• Institute of Internal Auditors (IIA)</td>
</tr>
<tr>
<td></td>
<td>• Information Systems Audit and Control Association (ISACA)</td>
</tr>
<tr>
<td></td>
<td>• International Law Enforcement Auditors Association (ILEAA)</td>
</tr>
<tr>
<td>Activity</td>
<td>Description</td>
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</tbody>
</table>
| Professional Speaking          | • Sr. Audit Manager Susan K. Oballe presented at the DPS Leadership Development School, “The DPS Chief Auditor’s Office”, December 5, 2019 and October 24, 2020  
  • Chief Catherine A. Melvin, Houston IIA 2020 Governmental Auditing Conference, “Unique Aspects of the Public Sector Internal Auditor”, February 18, 2020  
  • Chief Catherine A. Melvin, UT McCombs School of Business Executive Masters in Public Leadership program, “The Internal Auditor and You”, April 4, 2020  
  • Chief Catherine A. Melvin and Sr. Audit Manager Susan K. Oballe, State Auditor’s Office 2020 Audit Conference, “Strategic Project Management for Auditors”, August 5, 2020  
  • Chief Catherine A. Melvin, Texas Fiscal Officers Academy, “The Value and Role of Internal Audit”, October 20, 2020  
  • Sr. Audit Manager Susan K. Oballe and Audit Manager Tammara E. West presented at the DPS Law Enforcement Support Division Leadership Development School, “The DPS Chief Auditor’s Office”, October 20, 2020  
  • Sr. Audit Manager Susan K. Oballe and Audit Manager Tammara E. West presented at the DPS Leadership Development School, “The DPS Chief Auditor’s Office”, October 20, 2020  
  • Chief Catherine A. Melvin, 2020 Illinois Government Auditing Virtual Conference, “Unique Aspects of the Public Sector Internal Auditor”, October 21, 2020                                                                                           |
| 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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Steve H. Stodghill, Commissioner
Dale Wainwright, Commissioner

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Freeman F. Martin, Deputy Director, Homeland Security Operations
Randall B. Prince, Deputy Director, Law Enforcement Operations
Jeoff Williams, Deputy Director, Law Enforcement Services

Inspector General
Phillip Ayala, Inspector General

Office of General Counsel
Phillip Adkins, General Counsel

EXTERNAL DISTRIBUTION (IN ACCORDANCE WITH TEXAS GOVT CODE §2102.009)

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Legislative Budget Board
State Auditor’s Office