

Texas Department of Public Safety
Chief Auditor's Office

Fiscal Year 2024 Internal Audit Strategy



This Internal Audit Strategy was prepared by the Chief Auditor to be presented to the Commissioners of the Texas Department of Public Safety for approval on August 24, 2023.

TEXAS DEPARTMENT OF PUBLIC SAFETY

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August 24, 2023

Commissioners of the Texas Department of Public Safety

The work performed by the Chief Auditor's Office is a key element in assuring accountability, economy, efficiency, and effectiveness within the Texas Department of Public Safety operations. Our 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 2024 to continue our assistance to the Department in improving controls, reducing risk, and enhancing Department operations.

As discussed under "Acceptable Level of Risk", our strategy does not, nor is it intended to, address or provide complete coverage for all Department components or systems. We believe, however, that our strategy provides for the effective allocation of the Chief Auditor's resources to the critical priorities and risks of the Department at this point in time.

We wish to thank Department management and staff for their assistance in providing information which led to the development of this proposal. The Chief Auditor's Office looks forward to continue helping the Department meet its objectives. For further information on the Fiscal Year 2024 Internal Audit Strategy, please don't hesitate to contact me at (512) 424-7573, or by email at catherine.melvin@dps.texas.gov.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Catherine A. Melvin".

Catherine A. Melvin, CPA, CIA
Chief Auditor

cc: Steven C. McCraw, Director
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Overview

Introduction

We appreciate the opportunity to provide our vision of Internal Audit efforts for the Texas Department of Public Safety for the 2024 fiscal year. Accordingly, our strategy covers the period from September 1, 2023, through August 31, 2024. This document provides our audit plan as required by professional auditing standards and *Texas Government Code §2102.008*.

The Chief Auditor's Office is committed to being a valuable resource and trusted adviser in improving the Department's operations. We are proposing a strategy that focuses on critical risk areas yet builds in flexibility to allow for the Commissioners' and management's special requests as they may arise throughout the year. Our strategy allows for flexibility to respond when such services will be needed.

Purpose of Internal Auditing

The Chief Auditor's Office Charter, approved by the Public Safety Commission in February 2019, provides the purpose, authority, and framework for the internal auditing function of the Texas Department of Public Safety.

As the internal audit profession has evolved, so has the definition of our work efforts.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.¹

Types of Internal Audit Services

Internal Audit services consist of two types of engagements – assurance and consulting/advisory. In fiscal year 2024, the Chief Auditor's Office will continue providing both types of services.

Assurance Engagements

The Chief Auditor's Office provides assurance services for the agency which are defined as objective examinations of evidence for the purpose of providing an independent assessment on risk management, control, and governance processes for the organization.

Assurance engagements by the Chief Auditor's Office are often in the form of a performance audit. A performance audit is a dynamic process that includes

¹ Institute of Internal Auditors

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consideration of applicable standards throughout the course of the audit. Performance audit objectives may vary widely and include assessments of program effectiveness, economy and efficiency, internal controls, compliance with laws and regulations, and prospective analysis.

Consulting/Advisory Engagements

By definition, internal auditing also includes the provision of consulting services. Consulting services are advisory and related client service activities, the nature and scope of which are agreed with the client, and which are intended to add value and improve the organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Progressive Internal Audit departments provide additional management assistance or consulting services to their organizations. We will continue to provide representation on Department committees and work groups as needed and requested by the Commissioners and management. We will provide both formal and informal counsel and recommendations on management issues, concerns, and draft policies and procedures.

By providing consulting/advisory activities, the Chief Auditor's Office adds value to the Department beyond assurance services. These activities are an important component in strengthening the Department's internal control framework.

Strategy Development

The Chief Auditor's Office develops the proposed Internal Audit Strategy by first assessing Department's risk environment.

Risk Assessment

Risk assessment is a systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events. Critical functional areas with higher risk are prioritized for the Chief Auditor's Office's attention. The risk assessment process provides a means of organizing and integrating professional judgment, research, and management and Commissioner input for the development of our work priorities. The risk assessment process leads the Chief Auditor to establish priorities which become the Internal Audit Strategy.

Strategy Development

Ultimately, the Internal Audit Strategy is derived based on the risk assessment results, which incorporates management and Commissioner input, auditor judgment, and relative risk. From this assessment emerges the strategic direction for CAO efforts.

Overview

Agency Core Values

The core values supporting the Department's mission statement are Integrity, Excellence, Accountability, and Teamwork. The Chief Auditor's Office plays an important role in supporting the Department's efforts toward meeting its goals and objectives. We consider the Department's core values in each project and engagement undertaken and ensure the alignment of our efforts.

Acceptable Level of Risk

While the proposed Internal Audit Strategy results from our consideration of a wide-ranging scope of projects, it does not, nor does it intend to, address or provide coverage for all Department programs, activities, systems, or responsibilities. Our goal is to optimize our limited resources to provide reasonable coverage in the areas we believe would most benefit from our services and address key risks.

However, because we cannot address every risk area, it is important for the Commission and management to understand the limitations of the audit coverage and the risks they assume in areas not audited. We believe that this plan appropriately and best allocates resources of the Chief Auditor's Office to the critical priorities and risks of the Department at this point in time.

Professional Standards

We adhere to *Government Auditing Standards*, as promulgated by the U.S. Government Accountability Office, and the *International Standards for the Professional Practice of Internal Auditing*, as promulgated by the Institute of Internal Auditors which includes the Code of Ethics. In addition, we conform to requirements found under the Texas Internal Auditing Act and comply with the policies and procedures of the Texas Department of Public Safety.

Fiscal Year 2024

Internal Audit Strategy

For the Period September 2023 – August 2024

I. Internal Audit Assurance and Advisory Efforts

Risk-Based Strategic Focus Areas

- Asset Management and Critical Infrastructure
- Data Quality and Reporting
- Law Enforcement Support
- Personnel Management
- Emerging Risks (*Rapid Response Projects, as requested/needed*)

Standing Internal Audit Efforts

- Completion of FY23 Projects in Progress
- Information Resources and Cybersecurity
- Contract Monitoring and Compliance
- Field Administration Review
- Follow-Up Program
- Efficiency and Effectiveness of Business Processes

II. Coordination of External Audits/Reviews

- Statewide Single Audit – State Auditor's Office with Clifton Larson Allen
- Other External Audits/Reviews – State Auditor's Office, Comptroller's Office, etc.

III. Administration of the Internal Audit Function

- Quality Assurance and Improvement Program
- Continuing Professional Education
- Development of the Fiscal Year 2025 Internal Audit Strategy
- Strategic Planning and Administrative Initiatives
- Service to the Profession

Discussion

Internal Audit Assurance and Advisory Efforts

Risk-Based Strategic Focus Areas

The CAO is proposing the following strategic focus areas for FY24 assurance and advisory efforts based on our assessment of risk.

- **Asset Management and Critical Infrastructure:** The CAO will undertake projects that consider the safeguarding of assets and the strategic management of critical infrastructure. This may include projects related to protecting and maintaining the physical systems and assets necessary to support Department operations.
- **Data Quality and Reporting:** The accuracy, integrity, completeness, and reliability of the Department's data and underlying systems and processes to produce reports is critically important for assessment, decision-making, and transparency purposes. The CAO will undertake engagements which will assist the Department in ensuring high quality reporting.
- **Personnel Management:** The Department's greatest asset is its people. The CAO will consider both assurance and advisory efforts in this area to include recruiting, hiring, compensating, evaluating, managing, staffing, terminating, etc. This arena can also include training and education, investigations, EEO and ADA compliance, and dispute resolution services.
- **Public Safety Operations:** In FY24, the CAO will consider projects that will leverage the resources and experience the CAO team can offer to best assist the Department in more directly supporting its core operations and helping to ensure the Department's critical processes are adequate and effective to meet its goals and objectives.
- **Emerging Risks:** Internal audit plans must allow for flexibility to address any unanticipated risks that may emerge throughout the year. As in the past, the CAO prides itself in its agility and ability to focus resources to rapidly respond to any immediate needs of the Commissioners and of Department management that may arise not already contemplated in this plan.

Standing Internal Audit Efforts

Standing Internal Audit efforts are specific engagements or areas of focus the CAO will address every year.

- **Completion of FY23 Projects in Progress:** Each year, some project efforts cross over into the new fiscal year. We devote some time to completing these efforts.
- **Information Technology and Cybersecurity:** Information Technology is vital to the Department's infrastructure. Recognizing the integral and vital role information technology throughout the Department's responsibilities, the CAO will ensure attention is focused on information technology and cybersecurity each year.
- **Contract Compliance and Monitoring:** State contract management and administration practices remain a critical area of interest to state oversight and leadership offices. State agencies are faced with increasingly complex and challenging requirements to ensure maximization of value while providing for fair, open, and transparent processes. The Texas Internal Auditing Act requires internal audit functions to "consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts."

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- **Field Administration Reviews:** The CAO will continue to provide an Internal Audit presence in field administration through a concentrated program examining selected processes of interest at a high level at regional offices.
- **Follow-Up Program:** Professional auditing standards require the Chief Auditor establish a follow-up process to “monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.” To that end, the CAO may perform follow-up audits on select completed audits each year based on a risk assessment. These audits are intended to assess the extent, adequacy, and effectiveness of corrective actions taken to improve conditions noted. The CAO may also request management’s assertion as to the status of corrective actions taken – these assertions are subject to audit during a follow-up audit.
- **Efficiency and Effectiveness of Business Processes:** Government entities have a core responsibility to ensure efficiency and effectiveness of its operations. The CAO will continue to dedicate resources to both advisory and assurance projects focused on reviewing the efficiency and effectiveness of various Department business processes and policies. Business process improvement is complementary to progressive internal auditing. The CAO is committed to being a valuable resource and trusted adviser in improving the Department’s operations. Our commitment to business process improvement enables our office to be responsive to management’s needs proactively and provide more solutions-focused assistance. We will continue to seek ways to improve efficiency and effectiveness of business processes in each engagement we undertake.

Coordination of External Audits/Reviews

The CAO serves as a liaison for all external audits/reviews of the Department. The CAO assists Department management during external audits and reviews and helps to shepherd these engagements through the Department with the goal of fair and accurate outcomes.

- **Statewide Single Audit:** The Statewide Single Audit is a mandatory audit for the State of Texas. The Department’s administration of certain federal funds is typically included in the statewide audit.
- **Other External Audits/Reviews:** The Department is routinely audited by external entities such as the State Auditor’s Office (SAO), the Comptroller of Public Accounts (CPA), and any provider of federal grant funds.

Administration of the Internal Audit Function

- **Quality Assurance and Improvement Program:** In accordance with the Texas Internal Auditing Act (Gov’t Code Chapter 2102) and our professional standards, the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The quality assurance and improvement program is designed to enable an evaluation of the internal audit function’s conformance with professional standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit function and identifies opportunities for improvement.
- **Continuing Professional Education:** Professional standards require each internal auditor to obtain 40 hours of continuing professional education annually. The CAO 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.

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- **Development of the Fiscal Year 2025 Internal Audit Strategy:** The Chief Auditor is required to establish plans to carry out the responsibilities of the internal auditing department. An effective plan allocates internal audit resources to the most critical areas of the agency needing independent review. Integral to this process is the performance of an agency-wide risk assessment. Risk assessment is a systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events. The risk assessment process leads the Chief Auditor to establish audit work schedule priorities which become the Internal Audit Strategy and plan for the coming year.
- **Strategic Planning and Administrative Initiatives:** In addition to routine administration necessary to ensure the effectiveness of a high performing internal audit function, the CAO is committed to additional initiatives within the office to groom, develop, and retain superior audit talent. In FY2024, the office will continue to examine its career ladder and other development opportunities to ensure the DPS CAO remains a much sought-after place of employment for exceptional professional audit leaders.
- **Service to the Profession:** As part of the CAO's commitment to stay abreast of developments in its profession and its commitment to develop staff, we will continue to give back to the internal audit community. Potential activities include mentoring, speaking, training, participating in professional organizations, and participating in peer reviews of other internal audit shops. In addition to developing staff, these efforts help enhance the Department's stature in the professional internal audit community and help to attract and retain high caliber professionals.