

State of Texas

Department of Public Safety

Chief Auditor's Office

Catherine A. Melvin, Chief Auditor



FY2025 Annual Report

October 2025

About the DPS Chief Auditor's Office

CAO Vision

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

The mission of the Chief Auditor's Office (CAO) is to advise the Department of Public Safety (the Department) in achieving its strategic and operational goals by providing risk-based and objective assurance, advice, and insight.

The CAO is an independent and objective assurance and consulting activity designed to add value and improve the Department's operations. The CAO assists the Department in accomplishing its mission and objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Department's governance, risk management, and internal control processes.

The CAO contributes directly to the continuous improvement of the Department's operations, governance, risk management, and internal control framework through its delivery of superior assurance and advisory services in an atmosphere of respect and teamwork.

The Chief Auditor's Office is free from organizational impairments to independence reporting directly and accountable to the Public Safety Commission. As such, the CAO is a staff function and has no authority over the activities that it reviews.

CHIEF AUDITOR'S OFFICE TEAM

Catherine A. Melvin, CPA, CIA, CISA, Chief Auditor
Susan K. Oballe, CGAP, CGFM, CIA, Assistant Chief Auditor
Isis I. Johnson, Executive Assistant

Tammara E. West, CGAP, CIA, CISA, Senior Audit Manager
Lilia C. Srubar, CPA, Audit Manager

Nikolaos D. Alexander, LSSGB, Senior Process Improvement Specialist

John Felchak, CIA, CISA, Senior Internal Audit Analyst

Katie Fitch, CPA, Senior Internal Audit Analyst

M. Joseph Hinojosa, Internal Audit Analyst

Ishran Huda, Internal Audit Analyst

Adam Koppi, CFE, Senior Internal Audit Analyst

Rachel Thielen, CIA, CFE, Senior Internal Audit Analyst

Sara Vallie, IAP, Internal Audit Analyst

Wriley Weaver, Internal Audit Analyst

Jacob M. Whitley, CGAP, Senior Internal Audit Analyst

Gary Wilder, CFE, Senior Internal Audit Analyst

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October 31, 2025

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 2025.

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 October 31, 2025.

The work performed by the 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 2025 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, CISA
Chief Auditor

Table of Contents

I.	Compliance with Texas Government Code §2102.015: <i>Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web Site</i>	1
II.	Internal Audit Plan for Fiscal Year 2025	2
III.	Consulting Services and Nonaudit Services Completed	2
IV.	External Audit Services Procured in Fiscal Year 2025	4
V.	Quality Assurance and Improvement Program.....	4
	A. Internal Quality Assessment Review (Internal Assessments)	4
	B. External Quality Assessment Review (Peer Review)	6
VI.	Internal Audit Plan for Fiscal Year 2026	7
VII.	Reporting Suspected Fraud Waste and Abuse	9
VIII.	Statement on Independence and Objectivity	9
IX.	Resourcing Strategy	9
X.	Annual Review of CAO Charter	10
XI.	Achievement of Performance Objectives	10
XII.	CAO Strategic Plan Implementation Progress	10
XIII.	Other Internal Audit Activities	11

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 the agency's internal audit plan and the agency's internal audit annual report, and other information on their Internet Web sites, at the time and in the manner provided by the Texas State Auditor's Office (SAO).

The bill's provisions also required 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 DPS Chief Auditor's Office (CAO) has complied with this mandate by posting its internal 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 2025

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 FY2025 Internal Audit Strategy was approved in the August 22, 2024, Public Safety Commission Meeting. The columns marked under “Internal Audit Strategy” tie the FY25 CAO efforts to the approved strategy.

Project		PSC-Approved FY2025 CAO Internal Audit Strategy										Status
		Asset Mgmt & Critical Infrastructure	Data Quality & Reporting	Financial Controls & Processes	Personnel Management	Emerging Risk	Information Resources & Cybersecurity	Contract Monitoring & Compliance	Field Administration Review	Follow-up Program	Efficiency and Effectiveness of Business Processes	
Audits (Assurance Services)												
25-101	Crime Records Expunctions Process		✓								✓	In Progress
25-102	Controls Over Procurement Under a Disaster Declaration			✓				✓				In Progress
25-103	An Internal Audit of Driver License System (DLS) Access Controls		✓				✓					Complete
25-104	An Internal Audit of the Department’s Crime Laboratory Division’s Drug Vault Inventory	✓							✓	✓		Complete
25-105	TCOLE Minimum Standards Certification					✓						Complete
25-106	An Internal Audit of the Department’s Pre-Employment Non-Commissioned Background Investigations				✓			✓			✓	Complete

Project		PSC-Approved FY2025 CAO Internal Audit Strategy										Status
		Asset Mgmt & Critical Infrastructure	Data Quality & Reporting	Financial Controls & Processes	Personnel Management	Emerging Risk	Information Resources & Cybersecurity	Contract Monitoring & Compliance	Field Administration Review	Follow-up Program	Efficiency and Effectiveness of Business Processes	
25-107	Statewide Alert System		✓			✓						In Progress
25-108	Field Administration – Annual Inventory Certification Process	✓							✓			In Progress
Advisory Services												
25-201	Aircraft Operations Division Grant Management			✓				✓				In progress
25-204	OIG Assistance – Data Visualization					✓						Complete
25-205	Rapid Response to Office of the Governor Request			✓		✓					✓	Complete
25-206	THP Admin Utilization Study				✓	✓					✓	In Progress

IV. External Audit Services Procured in Fiscal Year 2025

The CAO is not aware of any external audit services procured in fiscal year 2025.

V. 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 include both internal and external assessments.

A. Internal Quality Assessment Review (Internal Assessments)

The CAO's 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 Texas Internal Auditing Act.

In addition to the ongoing monitoring as described above, the CAO also undergoes a comprehensive annual internal self-assessment. We completed our most recent comprehensive internal self-assessment in August 2025.

On January 9, 2024, the Institute of Internal Auditors (IIA) updated its standards to meet the evolving needs of the internal audit profession and the complex risk landscape organizations face. The transition from the IPPF to the Global Internal Audit Standards reflects an evolution in the way internal audit practices are structured and assessed globally. These new standards necessitate careful consideration of their impact on audit processes and routines. Full compliance with the new IIA standards is required by January 9, 2025.

The CAO proactively adopted the Global Internal Audit Standards beginning in FY2025, electing to implement the new standards prior to the required implementation date.

Excerpt from **CAO #25-003 Annual Self-Assessment Report**, August 2025:

Overall Conclusion
Overall, the CAO is in conformance with the Institute of Internal Auditors (IIA) Global Internal Auditing Standards (GIAS), United States Government Accountability Office (GAO) Government Auditing Standards, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). We did not identify significant weaknesses in the CAO's organizational structure, policies, or procedures that would prevent the office's overall conformance with the recognized standards. We reviewed the implementation status of key recommendations from the FY24 self-assessment and found that management has reasonably addressed them, as demonstrated by the following actions: • The CAO completed a draft Internal Audit Strategic Plan and scheduled it for presentation to the Public Safety Commission (PSC) in October 2025 for approval. • The CAO developed objectives, performance measures, and methodologies and incorporated them into the draft Internal Audit Strategic Plan. • The CAO revised the charter, and the PSC approved the revisions in February 2025. The Chief Auditor's Office (CAO) management team has reviewed our results and has accepted them to represent CAO operations accurately.
Opportunities for Improvement
We identified two opportunities to strengthen the CAO audit process and further align the office with professional standards: 1. Quality Management & Document Review – Improve quality management and control policies and checklists to ensure consistent documentation of conformance with chapters 5 and 8 of GAGAS. 2. Strategic Plan – Ensure the Strategic Plan reflects the updated IIA standards by including a formalized long-term vision, defining measurable objectives, and enhancing performance metrics to emphasize the CAO's impact and value.
Chief Auditor Response
<i>The CAO management team concurs with the recommendations and will do the following:</i> 1. <i>The Chief Auditor's Office is committed to maintaining strong quality management and quality control processes in alignment with the GAO's generally accepted government auditing standards (GAGAS) requirements. We will continue to review and enhance our quality management policies, procedures, and checklists to promote consistency in audit documentation and to ensure alignment with Chapters 5 and 8 of GAGAS. Updates will be incorporated into our quality assurance and improvement program, and staff will be reminded of these requirements through ongoing training and periodic reviews.</i> <u>Responsible Party:</u> Assistant Chief Auditor <u>Target Completion Date:</u> February 2026 2. <i>The Chief Auditor's Office is committed to ensuring its Strategic Plan reflects leading practices and aligns with the revised IIA standards. As part of our strategic planning cycle, we will ensure the plan includes a clearly defined long-term vision, measurable objectives, and enhanced performance metrics that capture the CAO's impact and value beyond task completion. These enhancements will be incorporated into the Strategic Plan to be presented to the Public Safety Commission (PSC) for approval at the planned October 2025 PSC meeting.</i> <u>Responsible Party:</u> Chief Auditor <u>Target Completion Date:</u> October 2025

B. External Quality Assessment Review (Peer Review)

Every three years, the CAO undergoes an external quality assessment review (QAR). The external QAR, also known as a “Peer Review”, is required by professional standards and the Texas Internal Auditing Act.

In the most recent external QAR, dated October 2025, the office received an overall opinion of **“Full Achievement and Conformance”** which was the highest of possible ratings. The following is the resulting certificate:



The next external quality assessment review of the DPS Chief Auditor's Office will be due in late 2028.

VI. Internal Audit Plan for Fiscal Year 2026

The DPS Internal Audit Plan for fiscal year 2026 was approved as the *DPS Chief Auditor's Office Fiscal Year 2026 Internal Audit Strategy* at the Public Safety Commission meeting held on October 9, 2025.

The CAO 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 CAO 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 CAO aligns its efforts during the fiscal year with the priorities as approved by the Public Safety Commission. These efforts include reviews of the Department's major systems and controls, including accounting, administrative, and information technology systems and controls. The CAO also considers the Department's methods for ensuring compliance with contract processes and controls, and for monitoring agency contracts.

Texas Department of Public Safety
Chief Auditor's Office

Fiscal Year 2026 Internal Audit Strategy

For the Period September 2025 – August 2026

I. Internal Audit Assurance and Advisory Efforts

Risk-Based Strategic Focus Areas

- Financial Controls and Processes
- Licensing and Regulatory Services
- Personnel Management
- Emerging Risks (*Rapid Response Projects, as requested/needed*)

Standing Internal Audit Efforts

- Completion of FY25 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 2027 Internal Audit Strategy
- Strategic Planning and Administrative Initiatives
- Service to the Profession

VII. Reporting Suspected Fraud Waste 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 CAO 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. Statement on Independence and Objectivity¹

The Texas Internal Auditing Act and our mandated professional audit standards require the independence and objectivity of the internal audit function for the Department. The IIA Global Internal Audit Standards also require the chief audit executive to disclose any incidents in which independence was impaired, or any instances of disagreement with management that may affect the ability of the internal audit function to execute its responsibilities.

During FY2025, the CAO maintained its organizational independence, reporting directly to the Public Safety Commission. There were no incidents in which independence was impaired. In addition, there were no instances of disagreement with management that affected the ability of the CAO to execute its responsibilities.

IX. Resourcing Strategy

The CAO resourcing strategy is designed to build and sustain a strong, capable internal audit team that can meet both current and long-term Department needs. We emphasize developing talent from within by maintaining a true career ladder, allowing individuals to progress as they demonstrate readiness for greater responsibility. This approach ensures opportunities for professional growth and supports staff engagement and retention.

We maintain a balanced mix of auditor levels—ranging from entry-level to journey and managing senior levels—to create a healthy pipeline of skills and experience. Entry-level auditors are hired with the understanding that they will learn and grow through hands-on experience, mentoring, and formal training, much like an apprenticeship model. This allows us to shape auditors who understand not only the technical aspects of the profession but also the Department’s mission, values, and processes.

¹ IIA Global Internal Audit Standards, Standard 7.1 Organizational Independence

A central component of our strategy is continuous staff development. We invest in training, coaching, and stretch assignments to prepare team members for advancement and to ensure our office remains well-resourced for the future. By cultivating our own talent, we reduce dependency on continuous external recruitment, strengthen institutional knowledge, and ensure continuity in the quality of our internal audit work.

X. Annual Review of CAO Charter

The CAO Charter was last revised and approved on February 13, 2025. Since the last revision, no changes have occurred which would require an update to the charter.

XI. Achievement of Performance Objectives²

The CAO performance objectives were recently established in conformance with the new IIA Global Internal Audit Standards and approved through the CAO Annual Internal Audit Strategy on October 9, 2025. The CAO will report on achievement of its performance objectives beginning with the FY2026 CAO Annual Report, which will be due November 1, 2026.

XII. CAO Strategic Plan Implementation Progress

The CAO Strategic Plan was recently established in conformance with the new IIA Global Internal Audit Standards. The CAO will report on progress toward implementing the CAO Strategic Plan beginning with the FY2026 CAO Annual Report, which will be due November 1, 2026.

² IIA *Global Internal Audit Standards*, Standard 8.3 Quality

XIII. Other Internal Audit Activities

Activity	Description
Professional Credentials	During FY 2025, CAO staff pursued professional certifications and advanced degrees. These included certification as Certified Internal Auditor, Certified Public Accountant, Certified Information Systems Auditor, and Certified Fraud Examiner Professional, and Certified Internal Audit Professional. The CAO staff members proudly hold numerous professional certifications, with a third of our staff carrying greater than 10 years' 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.
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: • State Agency Internal Audit Forum (SAIAF) • Association of Certified Fraud Examiners (ACFE) • Institute of Internal Auditors (IIA) • Information Systems Audit and Control Association (ISACA) CAO also represented the Department for the State Agency Coordinating Council (SACC) and the SACC Quality Process Improvement and Innovation (QPII) Subcommittee.

Activity	Description
Professional Speaking	• Sr. Process Improvement Analyst Nikolaos Alexander, AGA Austin Chapter, “Process Improvement Tools”, October 10, 2024 • Chief Auditor Catherine Melvin, DPS P&CS All Hands Meeting, “Audit Ready! Strategies for Success”, February 11, 2025 • Chief Auditor Catherine Melvin, UT McCombs School of Business, Management Auditing and Control class, “Managing the Internal Audit Function”, March 3, 2025 • Sr. Audit Manager Tammara West, AGA, “Audit Ready – The Importance of Documentation: Administrative and Audit Perspectives”, presented with former Senior Internal Audit Analyst Katambra Rose, March 13, 2025 • Chief Auditor Catherine Melvin and Asst Chief Susan Oballe, UT System Internal Audit Council Meeting, “The Case for Internal Audit v. Process Improvement”, April 28, 2025 • Asst. Chief Susan Oballe, YellowBook-CPE, “Continuous Improvement Tools for Government Auditing”, May 13, 2025 • Asst. Chief Susan Oballe, TSABAA Summer Conference, “The Power of Connections”, presented with Vanessa Mayo, DPS CFO, July 15, 2025 • Sr. Audit Manager Tammara West, Texas State Agency Business Administrators’ Association (TSABAA), “Audit Ready – Why Standardization Matters: The Connection Between Process and Performance,” presented with Sr. Process Improvement Specialist Niko Alexander, July 16, 2025 • Sr. Audit Manager Tammara West, Texas Higher Education Coordinating Board, “Audit Ready – Why Standardization Matters: The Connection Between Process and Performance,” presented with Sr. Process Improvement Specialist Niko Alexander, August 19, 2025 • Sr. Internal Audit Analyst Gary Wilder, IIA Austin Chapter, “IIA Austin Chapter Student Presentations at St. Edwards University”, presented with Internal Audit Director Angel Flores, Office of the Governor, September 6, 2025

Activity	Description
Service to the Profession	• Chief Catherine Melvin serves as the Certification Officer for the Institute of Internal Auditors (IIA) Austin Chapter. • Senior Audit Manager Tammara West serves on the Test Development Team (TDT) for the IIA Austin Chapter. • Senior Process Improvement Specialist Niko Alexander serves as the Department's representative on the QPII subcommittee of the State Agency Coordinating Committee (SACC). • Senior Internal Audit Analyst Gary Wilder serves as the Academic Relations Committee Chair for the IIA Austin Chapter.
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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