

State of Texas

Department of Public Safety

Chief Auditor's Office

Catherine A. Melvin, Chief Auditor



FY2020 Annual Report

November 2020

DPS CHIEF AUDITOR'S OFFICE

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

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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,

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 §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.

Project		Internal Audit Strategy							Status
		Procurement & Contract Mgmt	Licensing & Regulatory	Efficiency/ Effectiveness	Financial Ctrls & Processes	IT/Cyber Security	Routine Audit	Other	
Audits (Assurance Projects)									
20-101	IT Systems and Network Access (Provisioning) Process					✓			Complete
20-103	License to Carry a Handgun Criminal History Background Check Process		✓	✓					FY 2021 (21-101)
20-104	Payroll			✓	✓				FY 2021 (21-102)
20-105	Fleet Operations			✓					FY 2021 (21-103)
20-107	Performance Measures				✓				FY 2020 (21-104)
Management Requests, Special Projects, Advisory Services (may not result in a written report)									
20-201	Accounts Payable Process Improvement (c/o 19-208)			✓	✓				Complete
20-102	Field Administration (<i>Advisory Project</i>)			✓			✓		Complete
20-202	Contract Review Board Process	✓		✓	✓				Complete
20-203	Voyager One Card Project (c/o 19-209)			✓	✓				Complete
20-204	RSD - LTC Appeal Process		✓	✓					Complete
20-205	DL - Policy Group			✓					Complete
20-206	OIG - Caseload Metrics			✓					Complete
20-207	TDCJ - Assistance with Blue Warrant Count in TCIC/NCIC							✓	Complete
20-208	Data Framework			✓				✓	FY 2021 (21-201)
20-210	DL Call Center Metrics			✓					Complete

Project		Internal Audit Strategy							Status
		Procurement & Contract Mgmt	Licensing & Regulatory	Efficiency/Effectiveness	Financial Ctrls & Processes	IT/Cyber Security	Routine Audit	Other	
20-211	COVID-19 Metrics & Response Assistance			✓					Complete
Special Investigatory Assistance - EEO, OIG, SAO Hotline									
20-400s	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									
20-500s	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 underwent several external audits and reviews during FY2020.	✓	✓	✓	✓	✓	✓	✓	N/A
CAO Administration									
20-001	FY19 CAO Annual Report							✓	Complete
20-002	FY21 CAO Risk Assessment and Audit Strategy Development							✓	Complete
20-003	Quality Assurance Review							✓	Complete
20-004	Quality Assurance and Improvement Program (QAIP for Calendar Year 2019)							✓	Complete

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.

August 20, 2020

Catherine Melvin
Chief Auditor
Department of Public Safety Chief Auditor's Office



We have completed an internal self-assessment of the Department of Public Safety Chief Auditor's Office (Chief Auditor's Office-CAO) for the period of September 2018 through August 2019. During our review, we followed the standards and guidelines outlined in the 2017 edition of the Peer Review Manual published by the State Agency Internal Audit Forum (SAIAF).

The Institute of Internal Auditors (IIA) *International Professional Practices Framework (IPPF) Standard 1311* and Code of Ethics, the U.S. Government Accountability Office (GAO) *Generally Accepted Government Auditing Standards (GAGAS) Requirement 5.02*, and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102) require internal audit functions to establish a quality assurance and improvement program to include internal assessments to evaluate conformance with the Code of Ethics and the Standards. This self-assessment should not be interpreted as an independent certification of compliance with applicable standards. Rather, a certification of compliance with standards as issued after the CAO receives an external quality assessment review by an independent third party. The last external review was performed October 2019.

We reviewed the internal quality control system of the Chief Auditor's Office and conducted tests in order to determine if the internal quality control system operated to provide reasonable assurance of conformance with the IIA *International Standards for the Professional Practices of Internal Auditing* standards, *Government Auditing Standards*, and the Texas Internal Auditing Act. Conformance does not imply adherence to standards in every case but does imply adherence in most situations.

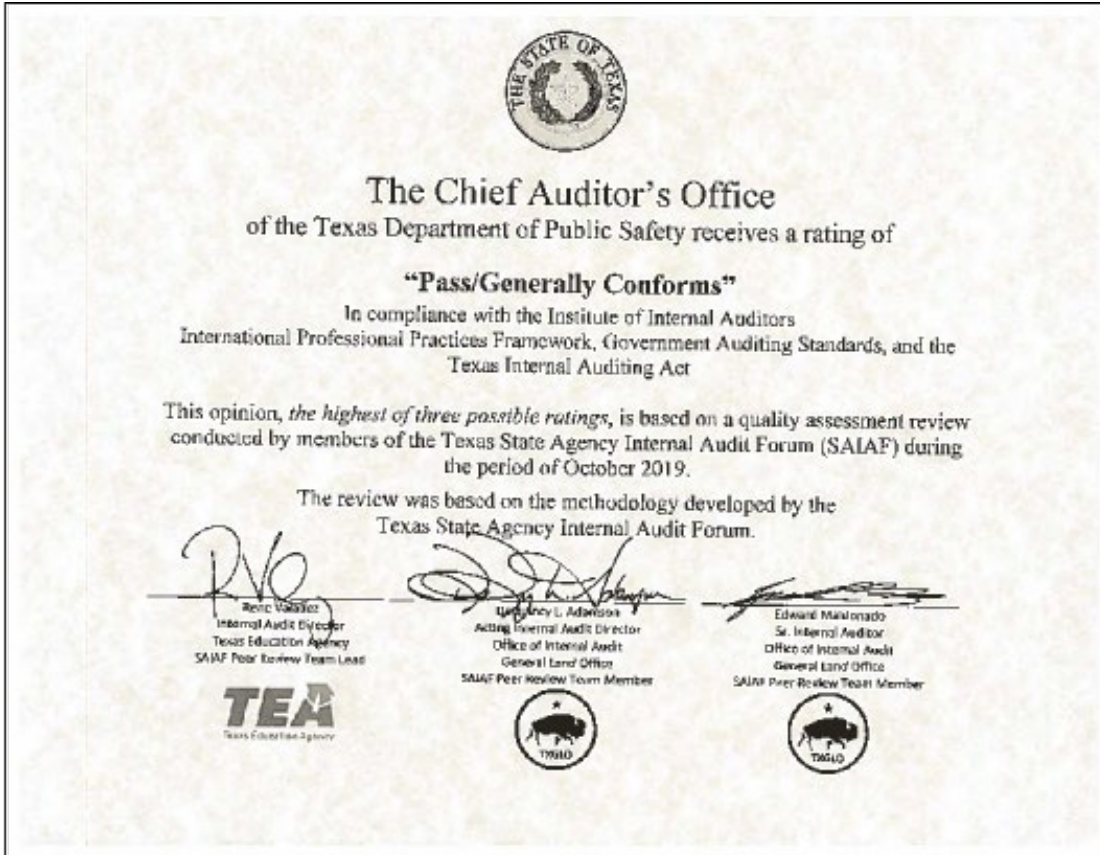
We have concluded that the Chief Auditor's Office is in compliance with the IIA *International Standards for the Professional Practices of Internal Auditing*, the *Government Auditing Standards*, and the Texas Internal Auditing Act. This conclusion means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function. We have prepared a separate report providing details of our findings and recommendations for strengthening CAO's internal quality control system.

The Chief Auditor's Office has reviewed the internal self-assessment team's results and accepted them to be an accurate representation of the Chief Auditor's Office's operations.

 Katie Fitch Senior Internal Auditor Department of Public Safety Internal Review Team Leader	 Katambra Rose Senior Internal Auditor Department of Public Safety Internal Review Team Member
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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:



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

9 OCT 19
Date



DeQuincy Adamson
Internal Audit Manager
Texas General Land Office
SAIAF Peer Review Team Member

10.9.19
Date



Edward Maldonado
Internal Auditor
Texas General Land Office
SAIAF Peer Review Team Member

10/9/19
Date

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 Department's 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

VI. 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

Activity	Description
Professional Credentials	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.
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	<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"> • 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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