

State of Texas

Department of Public Safety

Chief Auditor's Office

Catherine A. Melvin, Chief Auditor



FY2021 Annual Report

November 2021

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, CLEA, Chief Auditor

Susan K. Oballe, CGAP, CIA, CISA, Assistant Chief

Isis I. Johnson, Executive Assistant

Nikolaos D. Alexander

Steven L. Clark

Katie Fitch, CPA

Elizabeth (Lisa) Hanke

Stephanie M. Hernandez

Adam Koppi, CFE

Katambra D. Rose

Abigail L. Simpson

John M. Todd

Tammara E. West, CGAP, CIA

Jacob M. Whitley, CGAP

TEXAS DEPARTMENT OF PUBLIC SAFETY

5805 N LAMAR BLVD • BOX 4087 • AUSTIN, TEXAS 78773-0001

512/424-2000

www.dps.texas.gov



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DIRECTOR
FREEMAN F. MARTIN
DWIGHT D. MATHIS
JEFF WILLIAMS
DEPUTY DIRECTORS



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November 1, 2021

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 2021.

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, 2021.

By any measure, fiscal year 2021 was a year like no other. A year of significant disruption and challenge for the Department, and for all the staff of the Chief Auditor's Office. In this context, I could not be more proud of the work and activities set out in this annual report. 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 2022 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 2021

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 FY2021 Internal Audit Strategy was approved in the October 15, 2020, Public Safety Commission Meeting. The columns marked under “Internal Audit Strategy” tie the FY21 CAO efforts to the approved strategy.

Project		Internal Audit Strategy								Status
		FY20 Carryover	Procurement & Contract Mgmt	Licensing & Regulatory	Reporting & Statistics	Emerging Risks	IT/Cyber Security	Routine Audit	Other	
Audits (Assurance Projects)										
21-101	An Internal Audit of the License to Carry a Handgun (LTC) Criminal History Eligibility Process (c/o 20-103)			✓						Complete
21-102	Payroll (c/o 20-104)	✓								Reporting
21-103	An Internal Audit of Fleet Inventory and Safeguarding Controls (c/o 20-105)	✓								Complete
21-104	Select Performance Measures (c/o 20-107)				✓			✓		Reporting
21-105	FFCRA Compliance					✓				22-101
21-106	Follow-up – IT Account Provisioning						✓	✓		22-102
Management Requests, Special Projects, Advisory Services (may not result in a written report)										
21-201	Data Framework (c/o 20-208)				✓					Complete
21-202	Driver License Appointment System (Texas Scheduler)					✓	✓			Complete
21-203	Texas Rangers Division – Sexual Assault Kit Initiative (SAKI) Grant Administration		✓			✓				Complete
Special Investigatory Assistance - EEO, OIG, SAO Hotline										
21-400s	The Chief Auditor’s Office serves as a central point of contact for hotline complaints forwarded to the Department by the SAO.								✓	N/A

Project		Internal Audit Strategy								Status
		FY20 Carryover	Procurement & Contract Mgmt	Licensing & Regulatory	Reporting & Statistics	Emerging Risks	IT/Cyber Security	Routine Audit	Other	
External Audits/Reviews										
21-500s	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 FY2021.								✓	N/A
CAO Strategic Risk Assessments & Research-Based Projects										
21-601	Strategic Risk Assessment (FY21 Project Development)						✓		✓	
21-602	Ethics Research and Assessment (c/o 20-602)						✓			
21-603	COVID-19 Risks and Impact Considerations						✓			
21-604	Customer Service Assessment Tool						✓			
CAO Administration										
21-001	FY20 CAO Annual Report								✓	Complete
21-002	FY22 Risk Assessment and Strategy Development								✓	Complete
21-003	QAIP for Calendar Year 2020 (Self-Assessment)								✓	Complete
21-004	Onboarding Revamp								✓	22-004

IV. Quality Assurance and Improvement Program

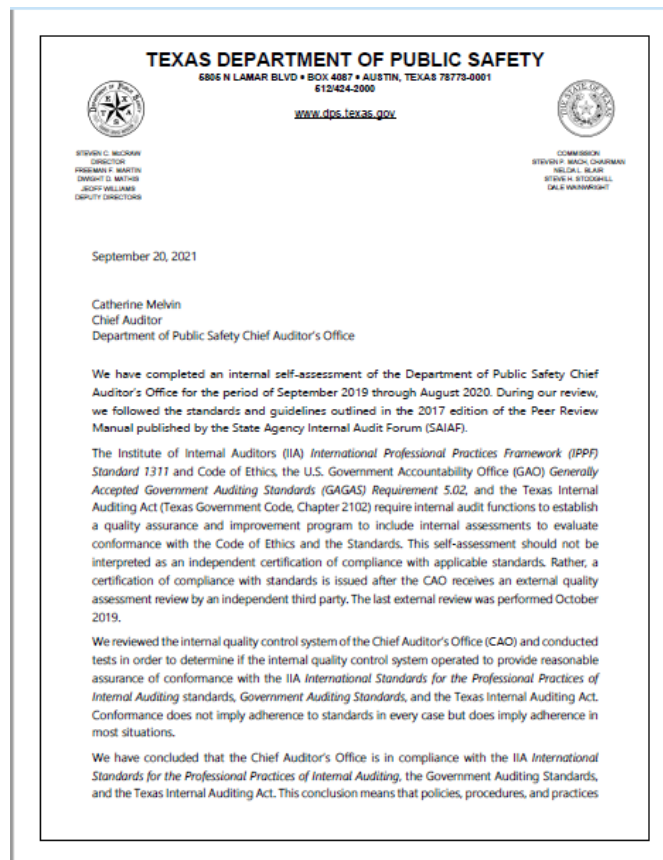
The Chief Auditor has implemented a quality assurance and improvement program that covers all aspects of the internal audit function. In addition to evaluating the CAO's conformance to required professional standards and the IIA Code of Ethics, the program also assesses the efficiency and effectiveness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

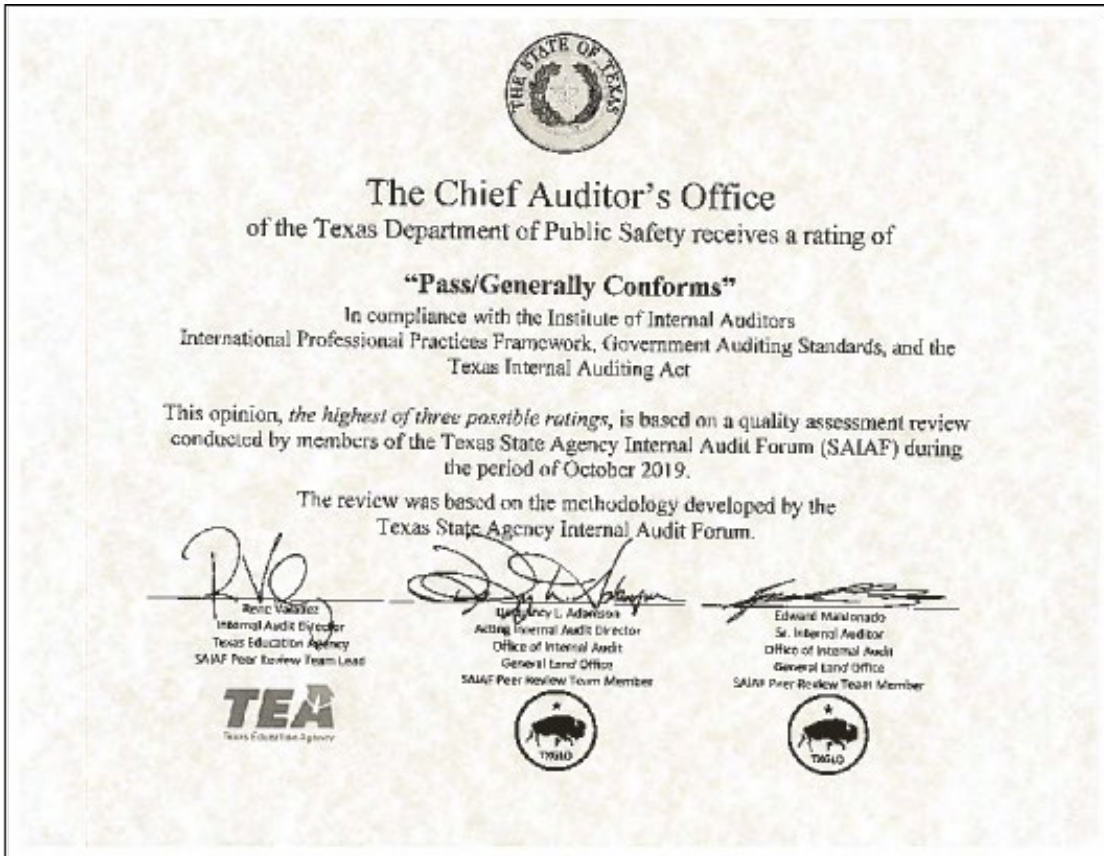
In addition to the ongoing monitoring as described above, the DPS Chief Auditor's Office also undergoes a comprehensive annual internal self-assessment. The most recent comprehensive internal self-assessment was completed in September 2021.



2. **Opportunity for Improvement:** *Enhance the process to monitor CPEs to ensure auditors are meeting GAGAS CPE requirements as well as CAO internal CPE requirements.*
CAO Action Plan: The CAO management team concurs. We will strengthen our process of ensuring CAO members submit required documentation of CPE earned and monitoring compliance with CPE requirements.
Responsible Party: Assistant Chief Auditor
Target Completion Date: November 1, 2021
3. **Opportunity for Improvement:** *Previous self-assessments indicated the future plans to enhance the annual audit report submitted to senior management with details of the CAO's internal self-assessment efforts. Continue to enhance reporting of ongoing QAIP efforts, specifically to include corrective action plans.*
CAO Action Plan: The CAO management concurs. We will enhance our reporting of ongoing QAIP efforts to include our responsive action plans to any findings or opportunities for improvement.
Responsible Party: Chief Auditor
Target Completion Date: November 1, 2021
4. **Opportunity for Improvement:** *The Chief Auditor develops an annual audit plan that corresponds to the CAO Audit Strategy. Continue to enhance documentation of the risk assessment and how it leads to individual audits to be conducted during the year.*
CAO Action Plan: The CAO management team concurs. Documentation of the development of the CAO Audit Strategy, to include the risk assessment process and the resulting projects, has been strengthened as evidenced in FY2021. The documentation is maintained in the CAO automated workpaper application, TeamMate Plus, and will continue to be for each year going forward. In addition, documentation of the origin and impetus for each project is added within the workpapers for each project.
Responsible Party: Catherine Melvin
Target Completion Date: Completed
5. **Opportunity for Improvement:** *In addition to documentation in the annual audit strategy, develop policies and procedures that provide detail on how the CAO addresses its responsibilities related to monitoring the disposition of audit issues.*
CAO Action Plan: The CAO management team concurs. We will document the CAO policy regarding how the CAO meets professional requirements related monitoring progress. We will also ensure related procedures are hardened in project procedure steps within the project templates maintained in the CAO automated workpaper application, TeamMate Plus.
Responsible Party: Chief Auditor
Target Completion Date: November 1, 2021

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 2022

The DPS Internal Audit Plan for fiscal year 2022 was approved as the *DPS Chief Auditor's Office Fiscal Year 2022 Internal Audit Strategy* at the Public Safety Commission meeting held on August 12, 2021.

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 2022 Internal Audit Strategy

For the Period September 2021 – August 2022

Internal Audit Assurance and Consulting/Advisory Efforts

1. Financial Controls and Processes
2. Information Resources – IT and Cybersecurity
3. Law Enforcement Support Services
4. Licensing and Regulatory Services
5. Critical Infrastructure/ Health, Safety, Welfare of Employees
6. Completion of FY21 Projects in Progress
7. Emerging Risks (*Rapid Response Projects, as requested*)

Routine Internal Audit Efforts

8. Field Administration Review
9. Follow-Up Program
10. Efficiency and Effectiveness of Business Processes

Coordination of External Audits/Reviews

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

Mandatory Internal Audit Activities

13. Quality Assurance and Improvement Program
14. Continuing Professional Education
15. Development of the Fiscal Year 2023 Internal Audit Strategy

Other Internal Audit Activities

16. Service to the Profession
17. Administration of the Chief Auditor's Office

VI. External Audit Services Procured in Fiscal Year 2021

The Chief Auditor's Office is not aware of any external audit services procured in fiscal year 2021.

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 2021, 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 112.75 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"> • Chief Catherine A. Melvin, Texas Fiscal Officers Academy, “The Value and Role of Internal Audit”, October 20, 2020. • Chief Catherine A. Melvin, Institute of Internal Auditors, “2020 Fall Public Sector Symposium”, November 12, 2020. • Chief Catherine A. Melvin, UT McCombs School of Business, Executive Masters in Public Leadership program, “Internal Audit in the Public Sector”, March 27, 2021. • Asst. Chief Susan Oballe, Mickey Leland Environmental Internship Program (MLEIP) Employer Showcase, “DPS Chief Auditor’s Office”, July 22, 2021. • Chief Catherine A. Melvin, UT McCombs School of Business, Management Auditing and Control class, “Managing the Internal Audit Function”, October 18, 2021.
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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