

State of Texas

Department of Public Safety

Chief Auditor's Office

Catherine A. Melvin, Chief Auditor



FY2024 Annual Report

November 2024

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 Audit Manager

Nikolaos D. Alexander, LSSGB, Senior Process Improvement Specialist

Steven L. Clark, CISA Senior Internal Audit Analyst

Katie Fitch, CPA, Senior Internal Audit Analyst

Elizabeth A. Hanke, Senior Internal Audit Analyst

M. Joseph Hinojosa, Internal Audit Analyst

Ishran Huda, Internal Audit Analyst

Adam Koppi, CFE, Senior Internal Audit Analyst

Sara Vallie, Internal Audit Analyst

Wriley Weaver, Internal Audit Analyst

Jacob M. Whitley, CGAP, Senior Internal Audit Analyst

Juliette Zamora, Internal Audit Analyst

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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November 1, 2024

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 2024.

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, 2024.

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,

Catherine A. Melvin, CPA, CIA, CISA
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 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 2024

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 FY2024 Internal Audit Strategy was approved in the August 25, 2023, Public Safety Commission Meeting. The columns marked under “Internal Audit Strategy” tie the FY24 CAO efforts to the approved strategy.

Project	PSC-Approved FY2024 CAO Internal Audit Strategy										Status	
	Asset Mgmt & Critical Infrastructure	Data Quality & Reporting	Law Enforcement Support	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)												
24-101	An Internal Audit of the Department’s Crime Records Expunctions Process		✓	✓							✓	c/o 25-101
24-102	An Internal Audit of the Department’s Entrusted Property Firearms Destruction	✓		✓				✓				Complete
24-103	Controls Over Procurement Under a Disaster Declaration					✓		✓				c/o 25-102
24-104	- Not Used -											
24-105	An Internal Audit of Drive License System (DLS) Access Controls	✓	✓				✓			✓		c/o 25-103
24-106	An Internal Audit of the Department’s Crime Lab Drug Vault Inventory			✓						✓		c/o 25-104

Project	PSC-Approved FY2024 CAO Internal Audit Strategy										Status	
	Asset Mgmt & Critical Infrastructure	Data Quality & Reporting	Law Enforcement Support	Personnel Management	Emerging Risk	Information Resources & Cybersecurity	Contract Monitoring & Compliance	Field Administration Review	Follow-up Program	Efficiency and Effectiveness of Business Processes		
Advisory Services												
24-201	Improving Candidate Processing for the Training Operations Division: Leveraging CAPPS Recruit		✓	✓	✓						✓	Complete
24-202	DPS Fleet - Amazon Sessions			✓							✓	Complete
24-203	Budget - Strategic Direction					✓					✓	Deferred
24-204	THP Assistance			✓							✓	Complete
CAO Strategic Risk Assessments (Research-Based Projects)												
24-601	Grants (c/o 23-004)		✓									Complete
24-602	Border Security Expenditures	✓	✓									c/o 25-601

IV. External Audit Services Procured in Fiscal Year 2024

The CAO is not aware of any external audit services procured in fiscal year 2024.

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 Assurance 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 IIA Code of Ethics.

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 October 2024.

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 is committed to proactively adopting the Global Internal Audit Standards, having elected to implement the new standards prior to the required implementation date. To facilitate this transition, the CAO initiated a comprehensive project to identify compliance gaps and develop a plan for alignment with the updated requirements. This self-assessment serves as a proactive measure to facilitate the successful adoption of the new standards and should not be interpreted as an independent certification of compliance with applicable standards.

The primary objective of this year's internal self-assessment was to evaluate the CAO's readiness for compliance with the Global Internal Audit Standards, which will become

effective January 9, 2025. Additional objectives included identifying best practices as well as areas where improvement may be needed.

Excerpt from **CAO #24-003 Annual Self-Assessment Report**, October 2024:

OVERALL CONCLUSION:
<p>During this self-assessment, no significant weaknesses were identified that would prevent the CAO from conforming with the updated requirements. Moreover, the CAO is currently well-positioned to achieve full compliance with the IIA’s new standards by January 9, 2025, the required implementation date.</p> <p>To ensure compliance with the revised standards, the CAO should implement the improvements and updates as outlined in the Action Plan-Artifact. This document was used to compile the necessary updates identified throughout this review to ensure compliance and improve processes. Among these required updates, the most significant include:</p> <ol style="list-style-type: none"> 1. Updating the CAO charter, as necessary, to conform with Standard 6.2 (Internal Audit Charter) and other applicable standards. 2. Creating and implementing a strategy for the CAO that supports the strategic objectives and success of the Department of Public Safety as required by Standard 9.2 (Internal Audit Strategy) and other related standards. This strategy must include the CAO’s vision, strategic objectives, and supporting initiatives. It is distinguished from Standard 9.4 (Internal Audit Plan), which is more operational in nature and currently satisfied through the CAO’s <i>Annual Internal Audit Strategy</i>. 3. Developing objectives to evaluate the CAO’s performance and methodologies to assess progress toward achieving objectives and promoting improvement as required by Standard 12.2 (Performance Measurement) and other applicable standards.
Chief Auditor Response:
<p><i>The CAO management team concurs with the recommendations and will do the following:</i></p> <ol style="list-style-type: none"> 1. <i>The Chief Auditor will submit a revised CAO Internal Audit Charter to the Public Safety Commission (PSC) for approval at a future PSC meeting, pending the appointment of a new Executive Director. (Because the Executive Director, in addition to the Chief Auditor and the PSC Chair, must sign the CAO Internal Audit Charter, and the current Executive Director has announced his intentions to retire later this year, we will target this to occur after the appointment of the Executive Director’s successor). The revisions will be made to ensure conformance with the Global Internal Audit Standards (GIAS) Standard 6.2 and related standards.</i> 2. <i>The Chief Auditor will finalize and implement the requirements of GIAS Standard 9.2 and related standards through the creation of the “CAO Internal Audit Strategic Plan”.</i> 3. <i>The Chief Auditor will finalize objectives to evaluate the CAO’s performance and methodologies to assess progress toward achieving objectives and promoting improvement as required by GIAS Standard 12.2 and related standards. Such objectives and performance measures will be included in the “CAO Internal Audit Strategic Plan”.</i> <p><i>In addition, we will continue our efforts to implement the other improvements and updates noted in the Action Plan-Artifact.</i></p> <p><i>Responsible Party: Chief Auditor</i></p> <p style="text-align: right;"><i>Target Completion Date: January 9, 2025. Items requiring PSC approval are subject to a future PSC meeting.</i></p>

B. External Quality Assurance Review (Peer Review)

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

In the most recent QAR, dated October 2022, the office received an overall opinion of “Pass/Generally Conforms” which was the highest of possible ratings. The following is the resulting certificate:



The next external quality assurance review of the DPS Chief Auditor's Office will be due in late 2025.

VI. Internal Audit Plan for Fiscal Year 2025

The DPS Internal Audit Plan for fiscal year 2025 was approved as the *DPS Chief Auditor's Office Fiscal Year 2025 Internal Audit Strategy* at the Public Safety Commission meeting held on August 22, 2024.

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.

* Continued on next page. *

Texas Department of Public Safety
Chief Auditor's Office

Fiscal Year 2025 Internal Audit Strategy

For the Period September 2024 – August 2025

I. Internal Audit Assurance and Advisory Efforts

Risk-Based Strategic Focus Areas

- Asset Management and Critical Infrastructure
- Data Quality and Reporting
- Financial Controls and Processes
- Personnel Management
- Emerging Risks (*Rapid Response Projects, as requested/needed*)

Standing Internal Audit Efforts

- Completion of FY24 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 2026 Internal Audit Strategy
- Strategic Planning and Administrative Initiatives
- Service to the Profession

VII. Statement on Independence and Objectivity

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 FY2024, 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.

VIII. Implementation of the IIA Global Internal Audit Standards

The new IIA Global Internal Audit Standards, effective January 9, 2025, require chief audit executives to develop objectives to evaluate the internal audit function's performance, and to develop a performance measurement methodology to assess progress toward achieving the function's objectives, and promote the continuous improvement of the function. The new standards also require chief audit executives to communicate the achievement of the performance objectives and develop an action plan to address any issue or opportunities for improvement.

Future CAO Annual Reports will include information on the CAO's achievement of performance objectives and action plans to address any issues or opportunities for improvement identified.

IX. 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 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.

X. Other Internal Audit Activities

Activity	Description
Professional Credentials	During FY 2024, 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. 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	<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) <p>CAO also represented the Department for the State Agency Coordinating Council (SACC) and the SACC Quality Process Improvement and Innovation (QPII) Subcommittee.</p>

Activity	Description
Professional Speaking	<ul style="list-style-type: none"> Chief Catherine Melvin, University of Texas McCombs School of Business, Management Auditing and Control Class, “Managing the Internal Audit Function”, October 9, 2023, and March 4, 2024. Chief Catherine Melvin, Texas State University, Accounting Class, “Intro to Internal Auditing”, November 2, 2023 Chief Catherine Melvin, IIA Houston Chapter - Public Sector Seminar “Strategic Risk Alignment for the Public Sector Internal Auditor”, January 2024 and February 2024
Service to the Profession	<ul style="list-style-type: none"> Chief Catherine Melvin, Peer Review Lead for the Quality Assurance Review (QAR) of the Texas Parks & Wildlife Internal Audit Department. Senior Internal Audit Analyst Adam Koppi, Peer Review Team Member for the Quality Assurance Review (QAR) of the General Land Office Internal Audit Division.
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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