



A Legislative Summary Document Regarding Department of Public Safety

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State Auditor's Observations

The Department of Public Safety's (DPS) process for preparing its Legislative Appropriation Request (LAR) should provide a reasonable depiction of its financial status. However, DPS has not reconciled its internal accounting system to the Uniform Statewide Accounting System (USAS) since January 2000. Although we did not note errors, there is a risk that undetected errors exist in the information DPS used to prepare its LAR.

The Narcotics Service and the Crime Laboratory Service within DPS are currently able to safeguard seized property, drugs, and evidence against loss, damage, and theft. Although most narcotics offices and crime labs we visited had basic security controls in place, a few did not have some of the basic security controls they need to adequately safeguard seized items.

Overall, controls to ensure the completeness and accuracy of the Criminal Justice Information System (CJIS) data are stronger today than they were five years ago. However, DPS must make additional improvements to further enhance the completeness and accuracy of its portion of CJIS. Examples of these improvements include the identification of incomplete and duplicate records, strengthening of information technology controls, and bolstering of disaster recovery planning.

DPS complied with seized asset reporting requirements in Rider 13, page V-48, the General Appropriations Act (77th Legislature) for fiscal year 2002.

Prepared for the 78th Legislature
by the State Auditor's Office

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SAO No. 03-356

This is not an audit report and, with the exception of any audit report summaries, the material in this document has not been subjected to all of the tests and confirmations performed in an audit.

Department of Public Safety

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Financial Profile

Revenue Projections

The Department of Public Safety (DPS) uses trend analyses based on the Comptroller of Public Accounts' (Comptroller) Cash Report and the Deposit Summary within the monthly budget as primary sources for estimating revenues. Approximately 73 percent of DPS's base appropriations is appropriated from Fund 006, the State Highway Fund. The next largest funding sources are General Revenue and some General Revenue Dedicated accounts that provide 4 to 5 percent of funding each.

DPS receives funds collected from court costs. Based on the Comptroller's historical cash reports, DPS estimates that there will be no change in court cost revenues in fiscal years 2004 and 2005 for the Fugitive Apprehension Fund Account (Fund 5028) and the Operators and Chauffeurs License Fund Account (Fund 0099).

DPS does not project revenue from disaster relief funds (which are pass-through federal monies) or seized asset funds because any revenues from these sources fluctuate dramatically from year to year. However, DPS does report actual and current-year expenditure estimates.

Unobligated Balance

As of August 31, 2002, DPS had an unobligated balance of more than \$7.7 million in Acquisition of IRTs (Information Resource Technologies). DPS indicated that it planned to carry forward \$5.9 million of this for specific capital items.

Reconciliations to USAS

DPS has not completed the reconciliation of its internal accounting system (MSA) to USAS since January 2000. The reconciliation process involves the generation of comparison reports that identify accounts that are out of balance.

DPS has produced comparison reports for September 2001 through May 2002. However, DPS has not produced any reports since May 2002. In addition, there has not been any resolution of differences noted in the reports. The May 2002 report noted differences of \$62 million. According to Department management, these may not be actual differences between USAS and MSA, but differences in internal documents. Nonetheless, without an ongoing reconciliation process, the true nature of these differences is unclear. Reconciliations are an integral process in financial management, providing information on the accuracy of accounting and funding information accounted for in various systems and accounts.

DPS indicates that the reconciliation project was on hold for staffing reasons for several months but is now active again.

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Expenditures by Category

The table below shows DPS's expenditures by Comptroller of Public Accounts category as reported by DPS in USAS for appropriation years 2000, 2001, and 2002. This data has not been audited. It is provided for informational purposes to show how DPS has spent its funds. We obtained explanations from DPS for fluctuations across years that appeared unusual.

Expenditures by Comptroller USAS Category Groups			
Comptroller USAS Category Group	Appropriation Year 2000	Appropriation Year 2001	Appropriation Year 2002
Salaries and Wages ^a	\$ 254,092,893	\$ 257,527,798	\$ 277,089,508
Interfund Transfers/Other (Note A)	86,901,797	237,984,077	63,892,613
Employee Benefits	55,850,319	58,241,772	68,080,566
Intergovernmental Payments (Note B)	30,308,106	47,957,819	122,423,701
Capital Outlay (Note C)	29,861,581	26,697,754	38,419,342
Supplies and Materials	15,940,528	20,209,448	20,536,051
Other Expenditures (Note D)	12,482,368	15,585,011	26,042,922
Repairs and Maintenance	10,651,346	11,965,738	11,732,875
Communications and Utilities	9,694,676	11,547,968	10,419,046
Professional Services and Fees (Note E)	5,676,883	9,251,506	4,392,975
Printing and Reproduction	5,632,105	5,960,088	6,195,128
Travel	5,136,232	3,070,516	4,175,233
Rentals and Leases	2,145,889	2,124,355	2,512,943
Claims and Judgments	1,139,012	338,451	564,111
Public Assistance Payments (Note B)	978,351	3,599,020	4,040,615
Cost of Goods Sold (Note F)	91,725	146,495	(148,652)
Interest/Prompt Payment Penalties	40,524	42,606	45,996
Total Expenditures	\$ 526,617,335	\$ 712,250,422	\$ 660,414,973

^a The amounts shown here for Salaries and Wages will not agree with the Salary Expenditures in the Workforce Summary Document prepared by the State Classification Office (SCO) because the USAS Salaries and Wages category does not include certain object codes that SCO considers employee compensation. These include performance awards and employee recognition awards.

Source: USAS - All funds including appropriated, unappropriated, and non-appropriated as of November 30, 2002.

Note A – The large increase for 2001 is partially attributable to a \$41 million emergency legislation transfer from DPS to the Department of Criminal Justice. Additionally, this category contains federal pass-through funds for disaster relief. Natural disasters are unpredictable, and thus the revenues and expenditures associated with these cannot be predicted or compared from year to year. Finally, DPS has unexpended balance authority for funds 5028 and 5013, and \$25 million was rolled forward from appropriation year 2000 to appropriation year 2001. Another \$2 million was rolled forward from appropriation year 2001 to appropriation year 2002.

Note B – Intergovernmental Payments and Public Assistance Payments are the categories used for distributing disaster relief funds. Expenditures in these categories fluctuate depending on the number and types of disasters that occur.

Note C – Increases in capital outlay in 2002 were due to the purchase of new state vehicles. Restrictions previously in place were lifted for 2002.

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Note D – The continued increase in other expenditures relates to DPS’s expenditures associated with its involvement in the Texas Online (electronic commerce) program.

Note E – The \$4 million increase in 2001 is due to a major capital upgrade project for DPS’s satellite system and the National Crime Information Center upgrade.

Note F – The Cost of Goods Sold category reflects the expenditures for purchasing meals at DPS’s cafeteria to feed trooper trainees while they are in training. The fluctuations in 2001 and 2002 are attributable to erroneously reclassifying the charges to the appropriate budget in the incorrect year.

Key Findings from Previous Audits and Reviews

January 1, 2001–December 31, 2002

Ongoing Audit of 10 Agencies’ Compliance with Historically Underutilized Business Requirements

The State Auditor’s Office will release a report in February 2003 on the Department of Public Safety’s compliance with Historically Underutilized Business requirements.

A Review of the Department of Public Safety’s Fiscal Year 2002 Seized Assets Report

(Report No. 03-007, November 2002)

The Department of Public Safety (DPS) complied with the seized asset reporting requirements in Rider 13, page V-48, the General Appropriations Act (77th Legislature) for fiscal year 2002. However, we identified three areas in which DPS can clarify future seized assets reports that it prepares:

- DPS should exclude interest income from the amount of cash available that it reports on its seized assets report.
- DPS should correct wording inconsistencies on its seized assets report.
- DPS should correct prior-year cash amounts that it overstated on its seized assets report.

Status of Audit Recommendations as of November 30, 2002

No status is reported at this time to allow DPS sufficient time to address recommendations in this recently released report.

State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2001¹

(February 2002)

Subrecipient Monitoring

The Department of Public Safety (DPS) has not performed timely reviews of Office of Management and Budget (OMB) Circular A-133 audit reports submitted by its subrecipients. As a result, DPS has not been able to address potential questioned costs and control weaknesses.

Status of Audit Recommendations as of November 30, 2002

KPMG LLP will report on the status of these recommendations in the federal portion of the statewide single audit for fiscal year 2002. This report is expected to be released in Spring 2003.

¹ Results from only the most recent statewide single audit are included in this Legislative Summary Document. KPMG LLP conducted the federal portion of that audit under contract with the State Auditor’s Office. Only excerpts from the KPMG audit report are presented above. For the full text of the KPMG audit report, please see www.sao.state.tx.us/Reports/report.cfm?report=2002/02-345.

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Cash Management: Public Assistance Grants

DPS has inadequate controls to ensure that Public Assistance Grant funds are paid to jurisdictions within three days of receipt of the cash draws from the Federal Emergency Management Agency (FEMA).

An Audit Report on the Department of Public Safety's Safeguarding of Seized Property and Evidence

(Report No. 02-017, January 2002)

The Narcotics Service and the Crime Laboratory Service within the Department of Public Safety (DPS) are currently able to safeguard seized property, drugs, and evidence against loss, damage, and theft. Although most narcotics offices and crime labs we visited had basic security controls in place, a few did not have some of the basic security controls they need to adequately safeguard seized items. We were able to account for each of the 732 seized property, drug, and evidence items in a sample at seven narcotics offices and four crime labs. It is important that DPS address inconsistencies in its basic security controls to ensure the continued safeguarding of seized property, drugs, and evidence.

Status of Audit Recommendations as of November 30, 2002 (unaudited)	
DPS has reported the following:	
Implemented	7
Partially implemented	5
Factors delay implementation	3
Has other explanatory information	1
Total recommendations	16

Additional security controls are needed in areas such as policies and procedures, security devices, and organization and standardization of storage facilities. Implementing additional security controls will help DPS minimize the risk of loss, damage, and theft and provide greater assurance to the State of the continued protection of seized property, drugs, and evidence.

DPS spent state-forfeited funds in accordance with the broad requirements outlined in state statute and the General Appropriations Act.

An Audit Report on the Accuracy of Criminal Justice Information System Data at the Department of Public Safety and the Department of Criminal Justice

(Report No. 02-013, December 2001)

Based on our review of the Criminal Justice Information System (CJIS), we believe that, overall, controls to ensure the completeness and accuracy of CJIS data are stronger today than they were five years ago. However, the Department of Public Safety (DPS) must make additional improvements to further enhance the completeness and accuracy of its portion of CJIS. Examples of the improvements include identification of incomplete and duplicate records, strengthening of information technology controls, and bolstering of disaster recovery planning.

Status of Audit Recommendations¹ as of November 30, 2002 (unaudited)	
DPS has reported the following:	
Implemented	1
Has other explanatory information	2
Total recommendations	3

¹ From management letter No. 02-305

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Performance Management

Performance Indicators Used by Management

The Department of Public Safety (DPS) uses performance measures that it developed and that the Legislative Budget Board (LBB) and Governor's Office approved. These measures are used to determine whether DPS has achieved its mission, goals, and objectives.

DPS's commissioners receive quarterly reports on performance measures and have monthly meetings at which divisions report on and respond to questions regarding performance. The commissioners also review and approve the Legislative Appropriation Request submittal.

DPS's main performance management tool is the quarterly report submitted to the LBB. DPS uses this report to communicate the status of performance measures, and the divisions in turn use it to make operational adjustments. DPS's executive management reviews and approves the quarterly reports.

The actual tracking of the performance measures is in accordance with DPS's Strategic Plan, but the manner in which the divisions track activity varies. For example, the Traffic Law Enforcement (TLE) division tracks the number of highway patrol citations and warnings issued to violators of traffic laws. TLE tracks this measure by entering information from the citations and warnings into the automated information system at district and subdistrict locations across the state. For other measures in other divisions, such as Crime Law Enforcement, activity is tracked manually. The frequency of tracking measures within DPS depends on the measure and the division.

Estimating Performance Targets

DPS's methods for estimating targets appear reasonable. Performance measures such as the rural traffic death rate, emergency planning for disasters, and the number of arrests are outside the direct control of DPS. As such, the actual results may vary significantly from established targets.

The divisions within DPS use historical information and trend analyses to establish performance targets.

Most Recent Performance Measure Certification

Fiscal Year 1998–Fiscal Year 2003

The results of *An Audit on Performance Measures at 12 State Entities–Fiscal Year 2001* (Report No. 01-036, August 2001) for this entity are summarized below.

Period	Goal/Strategy	Measure	Certification Results
2000	A.1.1 Highway Patrol	Traffic Law Violator Contacts	Inaccurate
2001 Q1	A.1.1 Highway Patrol	Traffic Law Violator Contacts	Inaccurate
2000	B.1.1 Narcotics Enforcement	Number of Arrests for Narcotics Violations	Certified
2001 Q1	B.1.1 Narcotics Enforcement	Number of Arrests for Narcotics Violations	Certified
2000	B.1.3 Special Crimes	Number of Special Crimes Arrests	Certified with Qualification
2001 Q1	B.1.3 Special Crimes	Number of Special Crimes Arrests	Inaccurate
2000	B.1.6 Technical Assistance	Number of Drug Cases Examined	Certified with Qualification
2001 Q1	B.1.6 Technical Assistance	Number of Drug Cases Examined	Certified with Qualification
2000	C.1.2 Response Coordination	Number of Emergency Incidents Coordinated	Factors Prevented Certification

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Period	Goal/Strategy		Measure	Certification Results
2001 Q1	C.1.2	Response Coordination	Number of Emergency Incidents Coordinated	Factors Prevented Certification
Total Measures Certified Without Qualification ^a				2/10 (20%)
Data Reliability Percentage (Certified and Certified with Qualification)				5/10 (50%)
^a The percentage of unqualified certifications is presented because it is used in determining an entity's eligibility for performance rewards as established in the General Appropriations Act [77th Legislature, Article IX, Sec. 6.31(d)(2)].				

Category	Definition
Certified	Reported performance is accurate within +/-5 percent, and controls appear adequate to ensure accurate collection and reporting of performance data.
Certified with Qualification	Reported performance is within +/-5 percent, but the controls over data collection and reporting are not adequate to ensure the continued accuracy of performance data.
Factors Prevented Certification	Actual performance cannot be determined because of inadequate controls and insufficient documentation.
Inaccurate	Reported performance is not within +/-5 percent of actual performance, or there is an error rate of at least 5 percent in the supporting documentation.
Not Applicable	A justifiable reason exists for not reporting performance.

Quality Assurance Team Reviews

Conducted by the Legislative Budget Board and State Auditor's Office

Completed Projects

Quality Assurance Team Annual Report – January 2003

The Department of Public Safety (DPS) completed the Automated Drivers License Testing System project at a cost of \$3,668,117 on August 31, 2002. The initial budget was \$1,922,477, and the initial completion date was August 31, 2001.

DPS completed the Enterprise Server Upgrade project at a cost of \$6,122,755 on August 31, 2002. The initial budget was \$6,334,000, and the initial completion date was August 31, 1999.

DPS completed the Infrastructure Hardware/Software Upgrades project at a cost of \$1,041,404 on August 31, 2002. The initial budget was \$1,041,404, and the initial completion date was August 31, 2002.

Completed Projects

Quality Assurance Team Annual Report – January 2002

DPS completed the AFIS Hardware Upgrade Project at a total cost of \$23,358,396.

DPS completed the Drivers License E-Commerce project at a total cost of \$2,341,043.

Canceled Projects

Quality Assurance Team Annual Report – January 2003

DPS canceled the Network Management Software project at a total cost of \$0.

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Ongoing Projects

Quality Assurance Team Annual Report – January 2003

Crash Records Information System (CRIS) — DPS and the Department of Transportation are working cooperatively to restructure and redesign the Texas Traffic Accident/Crash Records systems, a project that began in October 1995. The project was placed on hold for year 2000 prioritization and restarted in fiscal year 2001. Current expenditures are \$686,000.

National Crime Information Center 2000/Texas Law Enforcement Telecommunications System (NCIC 2000/TLETS) — In September 1998, DPS began working on system modification, development, acquisition, and training to comply with the Federal NCIC upgrade. The NCIC 2000 application and database development were completed and implemented in January 2002. The time line extension is due to the addition of a Web component. Cost increases are due to poor initial estimating, addition of a data conversion contractor, software upgrades, and additional staff. Current expenditures are \$13,957,429.

Project	Function	Initial Budget	Current Budget	Budget Change	Initial End Date	Current End Date	Time Change
CRIS	Redesign accident records systems	\$2,209,810	\$15,200,000	\$12,990,190	09/30/98	09/30/05	84 months
NCIC 2000/TLETS	Comply with Federal NCIC upgrade	\$10,698,304	\$27,826,865	\$17,128,561	12/31/99	04/30/06	76 months

Disaster Preparedness

We gathered information from the Department of Public Safety (DPS) on plans in place to provide continued operations and services in the event of a disaster. Standard audit criteria for disaster preparedness have not been established; therefore, we are not evaluating DPS's plans. Our objective was only to provide the information reported by DPS.

DPS has a business continuity plan (BCP) and a disaster recovery plan (DRP) and is in the process of revising both plans. Over the past several months, it has updated contact lists, equipment lists, operations plans, and network configurations.

DPS has included contingency planning documents in its BCP. These documents contain various disaster scenarios, which are currently under review.

The DRP includes departmental policies outlining responsibilities for restoration, time lines, and assumptions. It also contains sections on emergency response procedures and responsibilities. Appendices contain inventory lists, contact lists, priority reports, recovery contracts/agreements, forms, and checklists.

Information System Vulnerability Assessments

The State Auditor's Office (SAO) and/or the Department of Information Resources performed one or more information system vulnerability assessments at the Department of Public Safety between January 2000 and November 2002. Detailed results of this work are confidential under Texas Government Code, Section 2054.077(c). The SAO's Legislative Summary Document titled "Information System Vulnerability Assessments" provides general information about the results of information system vulnerability assessments.

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Travel Expenditures

Travel Expenditures by Appropriation Year (unaudited)			
	2000	2001	2002
In-State Travel	\$ 2,586,060	\$ 2,628,858	\$ 3,719,722
Out-of-State Travel	2,557,652	440,530	447,500
Foreign Travel	0	1,111	1,842
Other Travel Costs	(7,480)	18	6,168
Total Travel Expenditures	\$ 5,136,232	\$ 3,070,516	\$ 4,175,233
Limit on Travel Expenditures (Cap)	5,923,177	3,173,177	2,557,652 ^a
Expenditures in Excess of Cap	\$ 0	\$ 0	\$ 0

^a Caps apply to total travel in appropriation years 2000 and 2001, but caps apply only to out-of-state travel and foreign travel in appropriation year 2002. Caps, calculated by the Comptroller of Public Accounts, have been adjusted for any increases requested by DPS and approved by the Legislative Budget Board in accordance with the General Appropriations Act.

Source: Uniform Statewide Accounting System (USAS) as of November 30, 2002. Amounts are subject to change as agencies continue to record additional expenditures or adjustments.