

**AUDIT FOLLOW-UP: INTERNAL AUDIT OF THE
REGION 5 OFFICE – BEEVILLE, TEXAS
AS OF JUNE 09, 2016
AT THE
TEXAS ANIMAL HEALTH COMMISSION
(Report No: TAHC 016-004)**



MONDAY RUFUS & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS



MONDAY RUFUS & CO., P.C.
Certified Public Accountants & Advisors

Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

We have reviewed the status of our internal audit recommendations related to the Region 5 Office
(*Original Report Date: October 23, 2013*) as of June 09, 2016.

The accompanying schedules summarize our original finding and recommendation, current status, and remarks.

We appreciate the courtesy and cooperation shown by the management of the Agency during the course of the engagement.

Monday Rufus & Co., P.C.

June 09, 2016
Austin, Texas

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Executive Summary

The Texas Animal Health Commission (Commission) enabling statutes are in Chapter 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes. The Commission is vested with the responsibility of protecting all livestock, domestic animals, and domestic fowl from diseases stated in the statute, and is authorized to regulate entry of livestock, domestic animals, and domestic fowl into the state; and control the movement of livestock. The Commission is comprised of field inspectors, veterinarians, epidemiologists, laboratory personnel, and administrative staff. The Commission works closely with local, state, federal, livestock producers, industry partners, and the public, on animal issues. The Commission is also supported by the veterinary community and the United States Department of Agriculture (USDA) to assure proper tracing of movement of exposed and infected animals to determine the origin of infections and minimize the transmission of disease.

There are eight region offices in Field Operations. The Region 5 Office (Region) is located in Beeville, Texas and is staffed with fourteen employees (FTEs), including the Region Director, Supervising Inspector, and two support staff. The objective of the Region is to conduct field activities of the Commission through procedures, systems and data automation programs that have been set up to help locate infected and infested animals and herds, and keep records of such herds and the disposition of animals from those herds.

Internal Audit Results

The scope of this internal audit follow-up was limited to following up on the finding and recommendation in the original audit of the Region 5 Office (*Original Report Date: October 23, 2013*).

Appendix 1 summarizes and provides the status and steps taken by the management of the Commission to the recommendation made in the report.

Appendix 1:

ENTITY: Texas Animal Health Commission

PROJECT: Follow-up on prior Internal Audit Recommendations – Region 5 Office (Original Report Date: October 23, 2013)

FISCAL YEAR: 2016

PRIOR FINDINGS/RECOMMENDATIONS (issued by the prior Internal Auditor)	CURRENT STATUS	AUDITORS' REMARKS
<p>Finding 1: Brucellosis Test Information Was Not Found in the Surveillance Cooperative Services (SCS) Data Base for Seven (7) Animals Tested in a County</p> <p>During a test for accuracy of data entry into the SCS Data Base, we did not find information in the SCS Data Base for a Brucellosis Test Record dated 02/05/2013 for seven (7) animals tested in one of the counties. The count is one of the thirty-eight (38) counties tested in Region 5.</p> <p><u>Recommendation:</u></p> <p>Region5 Office management should continue to conduct quality control data entry monitoring by the Supervising Inspector on the current schedule and also ensure that all Brucellosis Test Records are being entered into the Surveillance Cooperative Services Data Base system in a timely manner.</p> <p><i>Management Response</i></p> <p><i>The missing information has been entered into SCS. Additionally, R5 staff has entered all back-logged brucellosis test records through October 15, 2013.</i></p> <p><i>Historically, data entry has been evaluated through the performance of the Data Accuracy Monitoring (“DAM”) report. However, with the change over from the Generic Database (GDB) to the new SCS system, some of the points of validation for evaluation in the existing “DAM” report are not available. Region 5 management has instituted a temporary evaluation system until the “DAM” protocol can be updated.</i></p>	<p style="text-align: center;">P</p>	<ol style="list-style-type: none"> 1. Auditor met with Region 5 Office Supervising Inspector, who has been at the Region 5 Office since January 2016 and also the previous Supervising Inspector who was present during the original audit and is currently assigned to the new Region 8 Office in Laredo, Texas. 2. Obtained animal Brucellosis tests results and supporting documents on animals tested and entered into the Surveillance Cooperative Services (SCS) Data Base system by the two administrative technicians for calendar year 2015. 3. Auditor selected and tested four animal tests from calendar year 2015 which the Supervising Inspector had randomly selected 32 animals from a total population of 1,092 animals to test for accuracy in entering the information into the SCS Data Base. No discrepancies were noted during the auditor’s testing of 2015 SCS information. 4. Auditor noted that no quality control data entry monitoring into the Surveillance Cooperative Services Data Base system has been conducted during the last five months of 2016. In order to ensure that information being entered into the SCS Data Base is accurate, quality control monitoring must be conducted on an on-going basis. We encourage the management of Region5 Office to continue its efforts to ensure quality control data entry monitoring into the Surveillance Cooperative Services Data Base system.

ENTITY: Texas Animal Health Commission

PROJECT: Follow-up on prior Internal Audit Recommendations – Region 5 Office (Original Report October 23, 2013)

FISCAL YEAR: 2016

PRIOR FINDINGS/RECOMMENDATIONS (issued by the prior Internal Auditor)	CURRENT STATUS	AUDITORS' REMARKS
<p><u>Finding 2: Strengthen Controls Over E-Permits</u></p> <p>E-Permits are issued by the Program Records Department at the Commission’s Central Office and forwarded to the Region 5 Office to verify arrival of the animals and are recorded in the Permit Tracker Report. There were 86 E-Permits issued and forwarded to Region 5 Office for verification in fiscal year 2013.</p> <p>Fourteen (14) of the 86 E-Permits were tested with the results shown below:</p> <p>Of fourteen (14) E-Permits tested:</p> <ul style="list-style-type: none">- Four (4) E-permits (58E1EX1, 268B5EX6, 298E3EX9, 161C1EX2) were verified by inspectors with verification dates ranging from 36 days to 165 days from the date the E-permit was issued. We found no documented policy for verifying E-permits. This makes it difficult to establish accountability on the verification of the arrival of the animals.- E-permit (212E4BE22) had the wrong verification date entered into the Permit Tracker Report. The inspector’s written verification date on the E-Permit supporting document was 3/6/2013, but the verification date on the Permit Tracker Report was 3/25/2013. <p><u>Recommendation:</u></p> <p>Region 5 should institute controls to ensure compliance with the Texas Administrative Code (TAC), Chapter 51 – Entry Requirements. Additionally, Region 5 should work with the Commission Central Office to develop and implement policies and procedures and institute controls to ensure compliance with the Texas Administrative Code (TAC), Chapter 51 – Entry Requirements, and that verification is properly documented.</p> <p>Management Response</p> <p><i>Regarding the extended verification dates: In many instances, there was an extension beyond 30 days due to the time lost in transit in the mail system or there were other procedural reasons that delayed closure of the verification. Additionally, the verification documents related to the 165 day extension were lost during mail transit. Inspectors are now scanning verification documents and submitting them via email to reduce the amount of transit time, prevent lost documents, and to provide additional date/time stamping. Since the audit, the average time for verification of e-permits is 18 days.</i></p> <p><i>The finding has been shared with TAHC Program Records for review and amendment of procedures and/or policies as needed.</i></p>	<p style="text-align: center;">I</p>	<p>1. Auditor obtained Region 5 Office Permit Tracker Report listing all E-permits (81) issued during calendar year 2015. Randomly selected 10 E-permits for compliance with verification dates being within 30 days of the E-permit issuance date. All 10 E-permits tested had been verified within the required 30 days from the E-permits issuance dates.</p> <p>No further work is deemed necessary in this area at this time.</p>

ENTITY: Texas Animal Health Commission

PROJECT: Follow-up on prior Internal Audit Recommendations – Region 5 Office (Original Report October 23, 2013)

FISCAL YEAR: 2016

PRIOR FINDINGS/RECOMMENDATIONS (issued by the prior Internal Auditor)	CURRENT STATUS	AUDITORS' REMARKS
<p><u>Finding 3: Petty Cash Account is Not Reconciled and Updated Timely</u></p> <p>1. On 3/7/2013 the Petty Cash Log recorded a deposit for the amount of \$200.25 being made to the Bank. The Bank statement shows the deposit being made for the amount of \$299.25 on 3/8/2013.</p> <p>2. A deposit for the amount of \$99 mad to the Bank on 07/05/2013 had not been posted on the Petty Cash Log as of October 3, 2013.</p> <p>A good internal control ensures proper recording of transactions and timely reconciliations. A lack of control would pose the risk of untimely detection of errors and/or irregularities.</p> <p><u>Recommendation:</u></p> <p>Management should reconcile the Petty Cash Fund log to the Bank statements each month as required by the Petty Cash Policy of the Texas Animal Health Commission and ensure that there is supporting documentation for all deposit or disbursement transactions. Although the Commission headquarters Financial Services performs a monthly reconciliation of all petty cash accounts, Region 5 Office should reconcile its own petty cash fund account monthly to ensure timely detection of errors and/or irregularities.</p> <p>Management Response</p> <p><i>Region 5 management is instituting a monthly reconciliation of the Petty Cash Fund. Additionally, we have reviewed the Petty Cash Policy and have re-aligned our procedures to be compliant.</i></p>	<p>N</p>	<p>Auditor obtained and reviewed the Petty Cash Fund log and related bank statements from January 2016 through May 30, 2016. The result of the review determined that a spreadsheet is used to record the petty cash transaction. But the Petty Cash Fund log is not being reconciled to the monthly bank statements on a monthly basis as required by the Petty Cash Policy of the Texas Animal Health Commission.</p> <p>We recommend that the management of Region 5 Office make concerted efforts to implement our recommendation to provide reasonable assurance of detecting errors and/or irregularities in a timely manner.</p>

ENTITY: Texas Animal Health Commission

PROJECT: Follow-up on prior Internal Audit Recommendations – Region 5 Office (Original

Report Date: October 23, 2013)

FISCAL YEAR: 2016

PRIOR FINDINGS/RECOMMENDATIONS (issued by the prior Internal Auditor)	CURRENT STATUS	AUDITORS' REMARKS
<p><u>Finding 4: Strengthen Controls Over Fixed Assets</u></p> <p>During the testing of fixed assets we noted the following:</p> <p>A. Two (2) trailers parked at the Region 5 Office unfenced premise did not have hitch locks to secure them from being moved by unauthorized parties. One trailer was a Corral System, Portable Trailer gooseneck trailer (Inventory #8332, Cost \$13,000) and the other a 6' x 20' Custom Livestock Trailer ¾ Metal Top (Inventory #55408416, cost \$11,800).</p> <p>B. A spray rig (brand John Bean: Spray) with asset tag #55406327 and costing \$3,939 could not be located during our testing of fixed assets at the Region 5 Field Office. Management of Region 5 indicated that the spray rig's last location was in Eagle Pass, Texas, but could not be found during the internal audit.</p> <p>C. Additionally, an inventory number could not be located for a Squeeze Chute (Asset Tag # 55407304: Chute 980-699, Cost \$2,223) during our testing of fixed assets.</p> <p><u>Recommendation:</u></p> <p>Management should take precautions to ensure that all fixed asset property items assigned to the Region 5 Office are properly tagged and reasonably secured in order to protect the agency's property. The agency should also follow the State Comptroller's Office <i>State Property Accounting Process User's Guide</i> to report missing fixed asset property during the year-end physical inventory process or when noticed missing.</p> <p>Management Response</p> <p><i>A: Both trailers have been secured with hitch locks. Additionally, the livestock trailer has been conspicuously branded to render it readily identifiable as TAHC property.</i></p> <p><i>B: Region 5 has not been successful in locating the sprayer. Based on the information gathered, the sprayer was assigned to the USDA Cattle Fever Tick Eradication Program, Maverick County Office, several years ago. CFTEP management has attempted to locate the sprayer but has not been successful. Region 5 will be working with appropriate Central Office personnel to address the missing</i></p>	<p style="text-align: center;">I</p>	<p>1. Auditor physically inspected the new Region 5 Office building, attached warehouse, and trailers parked on the premise.</p> <p>2. Auditor inspected the five (5) trailers parked on the premise listed below:</p> <ul style="list-style-type: none"> a. Small John Bean Sprayer (Inventory # 554-08419) b. Scratch Chute (tag (Inventory # 8676) c. Panel Trailer (Inventory # 4904) d. Hydraulic Squeeze Chute (Inventory # 8500) e. Big John Bean Sprayer (Inventory # 08763) <p>All of the trailers had hitch locks to secure them from being moved by unauthorized parties. Additionally, all items inspected were traced to the TAHC's inventory records.</p> <p>No further work is deemed necessary in this area at this time.</p>

sprayer in accordance with State Property Accounting Process guidelines.

C: The squeeze chute was reconditioned/repainted at some point in 2011. The chute has been securely maintained in the warehouse behind the R5 Office since then. Another inventory sticker has been procured and attached to the chute

I = Implemented

P = Partially Implemented

N = Not Implemented

Appendix 2

Objective and Scope

Objective

The objective of this internal audit follow-up was limited to following up on the findings and recommendations in the original audit of the Region 5 Office (*Original Report Date: October 23, 2013*).

Scope

Our procedures included reviewing the previous audit report, inquiring about the status of the report's recommendation, meeting with Commission management, obtaining supporting documentation, and verifying the information.

Methodology

The internal auditor met with the Texas Animal Health Commission headquarters and Region 5 management regarding the respective audit follow-up to determine the current status of the prior audit findings, recommendations, and corrective action(s) taken by management for the Region 5 Office original audit report.

Information collected and reviewed included the following:

- Original Audit Reports for:
 - Internal Audit of the Region 5 Office (Dated October 23, 2013)
- Reviewed fixed asset inventory records for the Region 5 Office and TAHC Staff Services for Fiscal Year 2015.
- Met with new Staff Services personnel and obtained an understanding of the new inventory system which has currently been implemented to account for agency fixed assets.
- Met with Fiscal Services management to obtain understanding of inventory accountability and reporting processes between Fiscal Services and Staff Services personnel in reconciling and reporting personal property inventory to other state regulatory agencies such as the State Comptroller's Office and State Auditor's Office.

Procedures and tests conducted included the following:

- Met with Commission management to discuss the current status of the prior audit report's recommendations and corrective actions.
- Reviewed recent State Auditor's audit reports issued to determine if any of their audit results would affect or change our internal audit follow-up report's recommendation.
- Reviewed current TAHC Staff Services personal property inventory system and statewide inventory taking processes for fixed assets assigned to the Region 5 Office.
- Tested fixed assets inventory records at the Region 5 Office and compared them to the TAHC Staff Services inventory records for proper reconciliation.

Criteria Used included the following:

Region 5 Office:

- TAHC Fixed Assets Inventory Policies and Procedures
- TAHC Reconciliation Processes Between Region 5 and Staff Services
- State Property Accounting Reporting of statewide Regions

Other Information

Our internal audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our internal audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our internal audit objectives. Our internal audit also conforms with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*.

Appendix 3

Background

In 1893, the agency was initiated to fight the Texas Cattle Fever epidemic, which had created a nationwide problem. Since then, the Texas Animal Health Commission (Commission) and the United States Department of Agriculture (USDA) have worked cooperatively with livestock producers on animal health issues. In recent years, the agency's primary objectives have been to control and eradicate livestock diseases, such as: Brucellosis in cattle and swine; tuberculosis in cattle; goats and cervidae; hog cholera in swine; pseudorabies in swine; scabies in cattle and sheep; Venezuelan equine encephalomyelitis (VEE); and equine infectious anemia (EIA) in horses.

The Commission's enabling statutes are in Chapters 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes. The Commission is vested with the responsibility of protecting all livestock, domestic animals, and domestic fowl from diseases stated in the statute, or recognized as maladies by the veterinary profession. The Commission is authorized to act to eradicate or control any disease or agency of transmission for any disease that affects livestock, exotic livestock, domestic animals, domestic fowl, exotic fowl, or canines, regardless of whether or not the disease is communicable. In order to carry out these duties and responsibilities, the Commission is authorized to control the sale and distribution of all veterinary biologics, except rabies vaccine; regulate the entry of livestock, domestic animals, and domestic fowl into the state; and control the movement of livestock.

To carry out its mission, the Commission is supported by the veterinary community, competent laboratory system and epidemiology activities which oversee the diagnosis of diseases, and assures appropriate tracing of the movement of exposed and infected animals to determine the origin of infection and minimize the transmission of disease.

The Commission is composed of thirteen members who are appointed by the Governor with the advice and consent of the Senate. The Governor designates the Chair.

The Commissioners appoint an Executive Director who supervises the Commission's activities. The Commission's operating budget is prepared and approved by the Commissioners on an annual basis, whereas the State legislative appropriation request is determined every two years. Both the budget and appropriations are reviewed and approved by the State Legislature.

The Commission is funded by a combination of state general revenue funds, federal funds from the U.S. Department of Agriculture (USDA), and fee-based revenue. For fiscal year 2016 the Commission has an authorized workforce of 161.0 full-time equivalent employees (FTEs). The Commission's staff is comprised of field inspectors, veterinarians, veterinary epidemiologists, laboratory personnel, emergency management planners, field investigators, and administrative staff.

Appendix 4

Report Distribution

As required by Gov't Code 2102.0091 copies of this report should be filed with the following:

Governor's Office of Budget and Planning

Attn: Kathy McGrath
internalaudits@governor.state.tx.us

Legislative Budget Board

Attn: Contract Manager
Contract.Manager@lbb.state.tx.us

State Auditor's Office

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