

INTERNAL AUDIT OF THE
REGION 1 OFFICE – AMARILLO, TEXAS
AS OF APRIL 30, 2016
AT THE

TEXAS ANIMAL HEALTH COMMISSION

(REPORT NO: TAHC 016-003)



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



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Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

We have conducted an internal audit (audit) of the Region 1 Office (Amarillo, Texas) of the Texas Animal Health Commission (Commission) with respect to the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, and the efficiency and effectiveness of operating procedures as of April 30, 2016. The results of our tests disclosed that, generally, the region has good controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, and the efficiency and effectiveness of operating procedures. However, we did observe some opportunities for improving the operations.

We appreciate the courtesy and cooperation the management of the commission showed during the course of the engagement.

Monday Rufus & Co., P.C.

April 30, 2016
Austin, Texas

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Executive Summary

There are eight region offices in Field Operations. The Region 1 Office (Region) is located in Amarillo, Texas and is staffed with twelve (12) employees, 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.

A primary responsibility of the inspectors is to oversee the handling and testing of animals at the livestock auctions. There were 7 active markets in Region 1 as of April 30, 2016. The Region 1 Office also covers a total of 49 counties in the State of Texas. **Appendix 3** shows a list of Region 1 counties. In 2013, 2014, and 2015 TAHC reported that a total of 287,059, 294,752, and 293,387 animals were processed through these markets, respectively. **Appendix 4** provides more detailed information on the livestock markets.

The Region 1 Office Director, who is a veterinarian, is responsible for and oversees all of the activities administered through the Region 1 Office relating to Animal Health Program work in cooperation with USDA-APHIS-VS and TAHC Central Office in Austin. A Supervising Inspector, who is charged with the responsibility of coordinating and supervising the work of the inspectors and administrative support staff, assists the Director, and is tasked with general office management of the Region 1 Office.

The inspectors oversee the testing of animals at livestock markets and conduct blood tests for livestock owners who desire to meet certain testing and monitoring requirements for their herds. The inspectors follow-up on certificates of veterinary inspection for livestock (domestic and exotic) entering, leaving, and moving within the state. The inspectors also follow-up on permits issued for livestock entering the state and provide information on the Commission's regulations as well as other states' livestock movement requirements. The inspectors communicate regularly with herd owners and their veterinarians.

The Commission, in cooperation with the USDA-Veterinary Services (Austin, Texas) is charged with disease surveillance, epidemiology, and resolution for livestock producers in the state. The Surveillance Cooperative Services Database (SCS) was developed by the federal government to assist states in the entry and retrieval of surveillance and herd test data for livestock diseases. The Region 1 Office utilizes the SCS to provide field operations, epidemiologists, staff, and commissioners with timely and accurate data.

As of April 30, 2016, there were 12 employees assigned to Region 1 Office who have 55 years of experience and service to the State of Texas. This is an average of 5.5 years of service per employee. Four (4) of the nine (9) inspectors assigned to Region 1 had less than one (1) year experience. During the 18 month period (10/30/2014 – 04/30/2016), six (6) inspectors retired or resigned from the Region 1 Office. The six inspectors had an average of 7.5 years of experience.

Summary of Internal Audit Results

Generally, the Region 1 Office has adequate controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, and the efficiency and effectiveness of operating procedures. However, controls may be improved by monitoring of E-permits verification time requirements and closing of completed E-permits in the Permit Tracker System for timely reporting purposes.

There were no other deficiencies detected in the audit of the Region 1 Office that are significant to the objectives of this audit. Any insignificant issues noted have been communicated to the management of the Commission as required by *Government Auditing Standards*.

Summary of Management's Response

R1 Supervising Inspector has implemented a reminder protocol for reviewing the status of permits in the database. The review frequency is weekly. Follow-up communication is accomplished through email and via phone conversations. The newly hired Deputy Director of Animal Health Programs will establish a group to evaluate the ePermit system as it applies to dairy calf raising operations. Further procedural changes will be developed and implemented based on that evaluation. These changes will be further reviewed and included by the already established Region Office Standard Operating Procedure work group that is in the process of updating the entire procedural manual.

R1 Supervising Inspector has established a reminder protocol for reviewing the status of data entry for permits in the database. The frequency of the review is set at 2 weeks. Additionally, the R1 Supervising Inspector has resumed the practice of monthly review of herd histories. Any follow-up communication on delinquencies is documented as part of ongoing performance related documentation.

The newly hired Deputy Director of Animal Health Programs will establish a group to evaluate the ePermit system as it applies to dairy calf raising operations. Further procedural changes will be developed and implemented based on that evaluation. These changes will be further reviewed and included by the already established Region Office Standard Operating Procedure work group that is in the process of updating the entire procedural manual.

Objectives, Detailed Issues, Recommendations and Management's Response

The primary objectives of the internal audit were:

1. Reliability and Integrity of Information
2. Compliance with Policies, Procedures, Laws, and Regulations
3. Safeguarding of Assets
4. Efficiency and Effectiveness of Operating Procedures

RESULTS AND RECOMMENDATIONS

Internal Audit Objective 1: Reliability and Integrity of Information.

Finding 1: E-permit Verification Compliance Process Should Be Enhanced

Criteria:

E-Permits are issued by the Program Records Department at the Commission's Central Office and forwarded to the Region 1 Office to verify arrival of the animals and are recorded in the Permit Tracker Report. E-permits are required to be verified by inspectors 30 days of being issued, entered into Permit Tracker, and not closed until the animal testing is completed. If permitted animals due to be tested are 30 days past due with no valid explanation by the permittee, a Compliance Action Request form issuance may be warranted. There were 513 E-Permits issued and forwarded to the Region 1 Office and verified in fiscal year 2015.

Condition:

Nineteen (19) of twenty-five (25) E-permits tested for Fiscal Year 2015 were reported verified by inspectors for a period ranging from 34-334 days after the E-permits were issued by TAHC.

One of the E-permits (#1911R1DC59) was verified by the field inspector on 12/22/2014, but was recorded on the Permit Tracker Report as being verified on 8/15/2015.

E-permit – Premovement authorization for entry of animal into the state by the Commission. The E-permit states the conditions under which movement may be made, and will provide any appropriate restrictions and test requirements after arrival. The permit is valid for 15 days. (TAC, Chapter 51-Entry Requirements).

Cause:

Verification or determination of the E-permits status was not determined until after the 30th day after the E-permits were issued by the Commission.

Effect:

The status is unknown on the movement and number of animals authorized to be moved according to the E-permits issued by the Commission. There is a possible noncompliance with TAC, Chapter 51-Entry Requirements regarding the permit's 15 days validity status.

Recommendation:

Region 1 Office should institute controls to ensure compliance with the Commission's region office standard operating procedures and Texas Administrative Code (TAC), Chapter 51 – Entry Requirements. Inspectors should document the status of each E-permit by the end of the required 30th day in the E-permits *Verification Date / # of Heads* section if verified, and in the *Disposition/Comments* section a comment on why the E-permits are still pending verification after the 30th day.

Management's Response:

RI Supervising Inspector has implemented a reminder protocol for reviewing the status of permits in the database. The review frequency is weekly. Follow-up communication is accomplished through email and via phone conversations. The newly hired Deputy Director of Animal Health Programs will establish a group to evaluate the ePermit system as it applies to dairy calf raising operations. Further procedural changes will be developed and implemented based on that evaluation. These changes will be further reviewed and included by the already established Region Office Standard Operating Procedure work group that is in the process of updating the entire procedural manual.

Finding 2: A Substantial Number of E-permits Were Not Verified In Fiscal Year 2015

Criteria:

E-Permits are issued by the Program Records Department at the Commission's Central Office and forwarded to the Region 1 Office to verify arrival of the animals and are recorded in the Permit Tracker Report. E-permits are required to be verified by inspectors 30 days of being issued, entered into the Permit Tracker Report, and not closed until the animal testing is completed. If permitted animals due to be tested are 30 days past due with no valid explanation by the permittee, a Compliance Action Request form may warrant being issued.

Condition:

Four-hundred and four (404) E-permits issued by TAHC to the Region 1 Office during Fiscal Year 2015 had not been verified as of March 2016 according to the Permit Tracker Report.

A random sample of 4 E-permits selected to test their current status disclosed that all 4 E-permits tested had been verified and closed during the months of April 2015 and May 2015, according to supporting documents. But the information had not been entered into the Permit Tracker Report by Region 1 Office.

Cause:

Active E-permits which were verified and closed during fiscal year 2015 were not being timely entered into the Permit Tracker Report by Region 1 Office as required by Commission policies and procedures.

Effect:

By not entering E-permits into the Permit Tracker Report when they are verified and closed:

- The Commission's fiscal year 2015 Permit Tracker Report is inaccurate, making the integrity and reliability of the report and current data questionable.
- The Commission might not be able to accurately analyze the data to monitor the accuracy and efficiency of the agency's disease management and eradication activities.

Recommendation:

Region 1 Office should institute controls to ensure timely compliance with the Commission's region office operating procedures and the Texas Administrative Code (TAC), Chapter 51 – Entry Requirements. Inspectors should verify and document the status of each E-permit by the end of the required 30th day of issuance of the permit, and management of Region 1 should ensure timely data entry each time the status changes on active E-permits.

Management's Response:

R1 Supervising Inspector has established a reminder protocol for reviewing the status of data entry for permits in the database. The frequency of the review is set at 2 weeks. Additionally, the R1 Supervising Inspector has resumed the practice of monthly review of herd histories. Any follow-up communication on delinquencies is documented as part of ongoing performance related documentation.

The newly hired Deputy Director of Animal Health Programs will establish a group to evaluate the ePermit system as it applies to dairy calf raising operations. Further procedural changes will be developed and implemented based on that evaluation. These changes will be further reviewed and included by the already established Region Office Standard Operating Procedure work group that is in the process of updating the entire procedural manual.

Internal Audit Objective 2: Compliance with Policies, Procedures, Laws, and Regulations.

The Region 1 Office has accessibility to the Commission's and other standard operating policies and procedures on the TAHC intranet to ensure that activities of the staff comply with policies, procedures, laws, and regulations.

As noted in audit Findings #1 and #2 above regarding the E-permits, Region 1 Office needs to comply with the region standard operating procedures and the Texas Administrative Code (TAC), Chapter 51 – Entry Requirements.

Internal Audit Objective 3: Safeguarding of Assets.

Twenty fixed assets were tested at the Region 1 Office with for compliance with property accountability and reporting. An additional twelve (12) Property Transfer Reports containing 38 property items were tested to ensure that property asset items are properly being transferred, approved, and received at TAHC Central Office. Proper controls are in place in accounting for fixed assets at the Region 1 Office and TAHC Central Office. Specifically, we noted that the assets were in the right locations, in use and not obsolete, and properly secured.

Internal Audit Objective 4: Efficiency and Effectiveness of Operating Procedures.

There is a system in place to ensure monitoring of the staff workload. Support personnel are cross-trained to enter data into the SCS Data Base system. As a result, should a staff member be unable to perform the data entry function, the work may be accomplished by the other support staff in a timely manner.

Appendix 1

Objective and Scope, and Methodology

Objective

The primary objective of the audit was to evaluate the following:

- *Reliability and Integrity of Information*
- *Compliance with Policies, Procedures, Laws, and Regulations*
- *Safeguarding of Assets*
- *Efficiency and Effectiveness of Operating Procedures*

Scope

The audit scope of the internal audit work included ensuring compliance with the Texas Agriculture Code, Texas Animal Health Commission rules, Region 1 Office operating policies and procedures. The scope included interviews with Region 1 Office Director, Supervising Inspector and Office staff. Inspector reports, E-permits, Surveillance Cooperative Services Data Base information, and other pertinent reports and documents were reviewed and tested for accuracy and compliance.

Methodology

The Region 1 Office management risk assessment questionnaires were completed related to the Office functions to assist in obtaining information in identifying controls which are in place regarding Region 1 Office operations and reporting of data and information to Commission headquarters.

Information collected and reviewed included the following:

- List of employees and dates of employment
- List of inspectors and their assigned markets and designated headquarters
- Agency policies and procedures, rules, and regulations for field offices
- List of terminated employees in fiscal year 2015
- List of assigned fixed assets in inventory as of March 2016
- General Appropriation Act (FY 2015-2016)
- Texas Animal Health Commission Website

Procedures and tests conducted included the following:

- Interviewed Commission management and staff to obtain an understanding of the Region 1 Office functions and activities and controls in place.
- Obtained, reviewed, and tested employees' Supervisor Activity Reports and supporting documentation for management approval and accuracy.
- Tested for accuracy and reliability of information being entered into the Surveillance Cooperative Services Data Base system.
- Tested for accuracy, reliability, and timing of entry permits (E-permit) information processed and entered into the Commission's Permit Tracker report
- Tested random sample of fixed assets and communicated with inspectors as to safeguarding their assigned assets.

Criteria Used included the following:

- Chapter 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes
- Texas Animal Health Commission Intranet Policies and Procedures
- State Comptrollers Inventory Report for the Texas Animal Health Commission
- Commission's Website
- Review of Other pertinent reports and documents

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 2

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 2015 the Commission has an authorized workforce of 161 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 3

List of Region 1 Office Counties

Dallam	Sherman	Hansford	Ochiltree	Lipscomb
Hartley	Moore	Hutchinson	Roberts	Hemphill
Oldham	Potter	Carson	Gray	Wheeler
Deaf Smith	Randall	Armstrong	Donley	Collingsworth
Parmer	Castro	Swisher	Briscoe	Hall
Childress				
Bailey	Lamb	Hale	Floyd	Motley
Cottle				
Cochran	Hockley	Lubbock	Crosby	Dickens
King				
Yoakum	Terry	Lynn	Garza	Kent
Stonewall				
Gaines	Dawson	Borden	Scurry	Fisher
Jo				

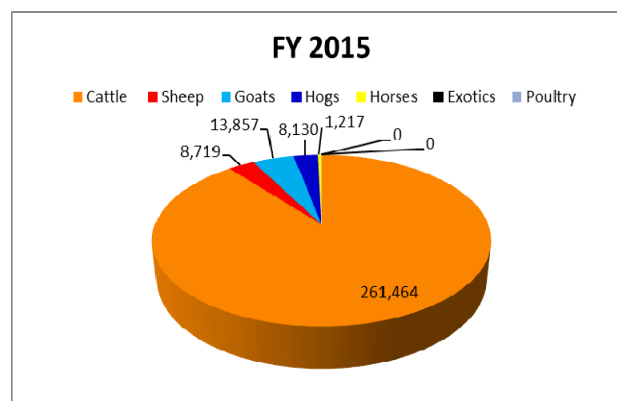
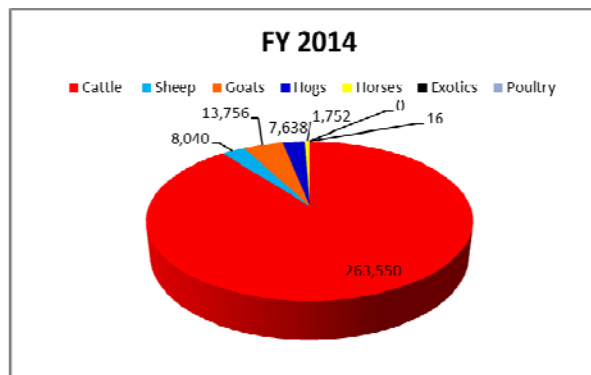
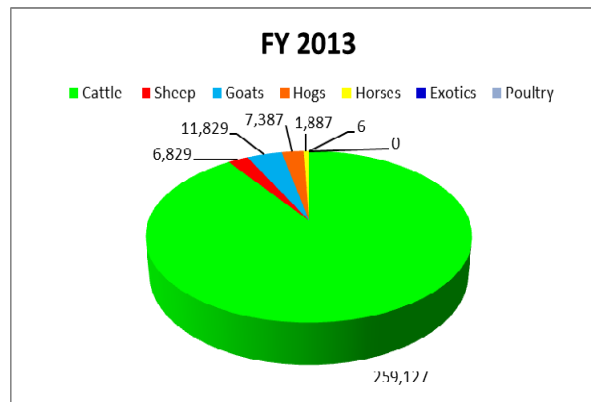
Counties - 49

Armstrong	Collingsworth	Dickens	Hale	Kent	Motley	Scurry
Bailey	Cochran	Donley	Hall	King	Ochiltree	Sherman
Borden	Cottle	Fisher	Hansford	Lamb	Oldham	Stonewall
Briscoe	Crosby	Floyd	Hartley	Lipscomb	Parmer	Swisher
Carson	Dallam	Gaines	Hemphill	Lubbock	Potter	Terry
Castro	Dawson	Garza	Hockley	Lynn	Randall	Wheeler
Childress	Deaf Smith	Gray	Hutchinson	Moore	Roberts	Yoakum

Appendix 4

Summary of Auctions (Unaudited)

	FY 2013	FY 2014	FY 2015	Total
Cattle	259,127	263,550	261,464	784,141
Sheep	6,829	8,040	8,719	23,588
Goats	11,829	13,756	13,857	39,442
Hogs	7,387	7,638	8,130	23,155
Horses	1,887	1,752	1,217	4,856
Exotics	6	16	0	22
Poultry	0	0	0	0
Total	287,065	294,752	293,387	875,204



Appendix 5

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: Kate McGraft
internalaudits@governor.state.tx.us

Legislative Budget Board

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