

**TEXAS ANIMAL HEALTH COMMISSION
AUDIT SUBCOMMITTEE MEETING MINUTES
January 14, 2014**

Item 1: Welcome and Call to Order by Chair

Chairman Ralph Simmons called the meeting to order at 8:00 am. All members of the Audit Sub Committee were in attendance.

Item 2: Approval of Minutes

A motion to APPROVE the September 10, 2013 minutes of the Audit Subcommittee was made by Commissioner Jordan and seconded by Commissioner Leathers. The motion carried.

Item 3: Audit of Region 5 Office (Beeville, Texas)

As of October 23, 2013, an evaluation of the Region 5 Office 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 operation procedures was made. The results of the tests disclosed that, generally, the region has developed some controls 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 some opportunities for improving the operations do exist. These include improving fixed assets accountability, monitoring of E-permits, data entry, and monthly reconciliation of petty cash transactions. Region 5 Management was informed of these and have taken steps to improve operations in all of these areas.

A motion to APPROVE the audit of the Region 5 Office was made by Commissioner Jordan and seconded by Commissioner Leathers. The motion carried.

Item 4: Annual Audit Report for FY 2013

I. Compliance with House Bill 16

Within 30 days of approval, the Texas Animal Health Commission will post the following information on its Internet Web site, unless excepted from disclosure under Chapter 552 of the Texas Government Code.

Beginning Fiscal Year 2014, the Texas Animal Health Commission (TAHC) will develop procedures for implementing House Bill 16 that include measures to ensure that within 30 days of approval, the following reports will be posted to their website:

- An approved fiscal year 2014 audit plan.
- A fiscal year 2013 internal audit annual report.
- Internal Audit Reports which include the following:
 - A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report;
 - A summary of the action taken by the agency to address concerns, if any, that raised by the audit plan or annual report

II. Internal Audit Plan for Fiscal Year 2013

The Commission approved the following audits for fiscal year 2013:

- Performance Measures Reporting (Report #2013-002: Date: January 16, 2013)
- Region 7 Office (Rockdale, Texas) (Report #2013-001: Date: September 27, 2012)
- Follow-up on prior internal audit recommendations: (Report #2013-003: Date: May 29, 2013)
 - Program Records Management (October 31, 2007)
 - Region 1 Office (Amarillo, Texas) (June 04, 2008)
 - Federal Funds Management Process (January 8, 2009)
 - Payroll & Personnel (December 23, 2009)

III. Consulting Services and Non-audit Services Completed

The Internal Auditor did not perform any services which would be considered consulting engagements, as defined in the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*, and no non-audit services, as defined in *Government Auditing Standards*, 2011 Revision, Sections 3.33 – 3.58, were completed during fiscal year 2013.

IV. External Quality Assurance Review (Peer Review)

A copy of the most recent External Quality Assurance Review Report is included on the following pages:

- Fiscal Year 2013 Internal Audit Annual Report – The primary objective of the quality assurance review was to evaluate the Texas Animal Health Commission's compliance with professional standards and the Texas Internal Audit Act. The scope of the review included all internal audits completed during the year ending August 31, 2013.

The work performed during the review included:

- Review of the Texas Internal Auditing Act (Government Code, Chapter 2102)
- Review of the Institute of Internal Auditors (IIAs) International Standards for the Professional Practice of Internal Auditing.

- Review of the U.S. Government Accountability Office (GAO) Government Auditing Standards, and the Code of Ethics contained in the Professional Practices Framework.
- Review and evaluation of audit working papers.
- Review of Internal Audit’s policies and procedures, annual risk assessment, annual audit plan, and other relevant documents.

V. Internal Audit Plan for Fiscal Year 2014

- Region 5 Office (Beeville, Texas)
- Travel
- Budgeting
- Follow-up on prior internal audit recommendations:
- Emergency Management Process: Policies and Procedures (April 17, 2008)

Our risk assessment was performed through the consideration of various factors, including:

1. Exposure Level
2. Complexity of Unit
3. Materiality of Revenues and Expenditures
4. Results of Last Audit
5. Extent of other Coverage or Oversight
6. Quality of Internal Controls/Adherence to laws
7. Changes in systems and processes
8. Normal Audit Interval

Although all of the above factors were considered in the assessment of risk for each process/system, some of the factors were weighed more heavily and considered to be more critical to the Agency’s internal control structure. The following critical factors were weighted more heavily in our assessment.

- Exposure Level
- Quality of Controls
- Changes in Systems and Processes

VI. External Audit Services Procured in Fiscal Year 2013

There were no External Audit Services for the fiscal year 2013 other than Internal Audit Services.

VII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09 and the General Appropriations Act (83rd Legislature, Conference Committee Report) Article IX and Texas Government Code, Section 321.022, the Texas Animal Health Commission has posted information on how to report suspected fraud, waste or abuse of state funds on their website.

VIII. Report Distribution

As required by Government Code Section 2102.0091 copies of this report should be filed with the following:

- Governor's Office of Budget and Planning and Policy
- Legislative Budget Board
- State Auditor's Office
- Sunset Advisory Commission

A motion to APPROVE the annual audit report for FY 2013 was made by Commissioner Jordan and seconded by Commissioner Leathers. The motion carried.

Item 5: Public Comment

There was no Public Comment at this meeting.

Item 6: Adjournment

Commissioner Jordan moved and Commissioner Leathers seconded the motion to adjourn. The motion carried. The meeting was adjourned at 8:25 am.