

INTERNAL AUDIT OF THE  
PERSONNEL PROCESSES

AS OF JANUARY 24, 2018

AT THE

TEXAS ANIMAL HEALTH COMMISSION

**(REPORT NO: TAHC 018-001)**



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

Audit Committee  
and Commissioners  
Texas Animal Health Commission  
Austin, Texas

We have conducted an internal audit (audit) of the Personnel Processes of the Texas Animal Health Commission (Commission) as of January 24, 2018. The results of our audit disclosed that the Commission has procedures and controls in place to ensure reliability and integrity of information compliance related to the Personnel Processes. However, we noted opportunities for enhancing the controls in place in the Personnel Processes.

The report that accompanies this letter summarizes our comments and recommendations.

*Monday Rufus & Co., P.C.*

January 24, 2018  
Austin, Texas

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## **Executive Summary**

The Texas Animal Health Commission (TAHC) was founded in 1893 with a mission to address the Texas fever tick problem. Today, TAHC works to protect the health of all Texas livestock, including: cattle, swine, poultry, sheep, goats, equine family animals, exotic livestock.

The Commission's enabling statutes are in Chapters 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes.

Title 4 of the Texas Occupations Code designated the Texas Animal Health Commission (TAHC) as the primary state agency with legislative authority to make and enforce regulations to prevent, control, and eradicate specific infectious animal diseases which endanger livestock.

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.

For fiscal year 2017 the General Appropriations Act authorized a budget of \$12,827,910 and 185.2 full-time equivalent (FTEs) employees in eight region offices throughout the State.

The TAHC Human Resource Department has two (2) employees who are responsible for human resources matters and who manage the personnel files and documentation for the agency. These employees report to the Chief of Staff.

## **Summary of Internal Audit Results**

The Texas Animal Health Commission has Personnel Processes in place to provide reasonable assurance that the agency is in adherence and compliance with state and federal personnel requirements. Policies and procedures have been established and implemented for personnel functions at the Texas Animal Health Commission.

The Commission can enhance its Personnel Processes by ensuring that required annual performance evaluations are timely and consistently conducted and that a driving record check be performed on job applicants prior to making an employment offer if the job position requires driving as an essential function of the job.

There were no other deficiencies detected in the audit of the Personnel Processes 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 Responses***

*The Commission agrees with this finding. The Human Resources Office (HRO) has had a policy of notifying managers when employees' evaluations are due; however, oftentimes managers ignore the notification and do not perform timely evaluations.*

*The policy has been that employees receive evaluations after being on the job for six (6) months and evaluated on their anniversary month with the agency thereafter. Even though the HRO sends managers a notification that an employee's evaluation is due, it is sometimes difficult for the manager to remember to evaluate employees on their anniversary month.*

*In an attempt to alleviate this confusion, all employees' evaluations will be due before the first of the calendar year. Managers will be required to complete all their employees' evaluations during the months of November and December. Evaluations will be past due on January 1, beginning on January 1, 2019.*

*Managers will receive a reminder about all evaluations being due in that timeframe on November 1 and again on December 1. If evaluations are not performed during that two- month period, the manager and his/her direct manager will receive a delinquent notice.*

*New or newly promoted employees will still require a (6) six-month probationary evaluation, but it will not negate the annual evaluation, regardless of the date of the probationary evaluation.*

*Additionally, no personnel action will be allowed without a current evaluation, to include merit increases, promotions, reclassifications, demotions and/or career ladder moves.*

*The Commission agrees with this finding. The driving record check process was not followed closely during the period after the Commission had experienced a hiring freeze. A great emphasis was placed on hiring staff quickly and driving record checks were delayed until after staff was hired to expedite the process.*

## **Objectives, Observations, 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. Efficiency and Effectiveness of Operating Procedures
4. Safeguarding of Assets

### **RESULTS AND RECOMMENDATIONS**

#### **Internal Audit Objective 1:** Reliability and Integrity of Information

Employee personnel files reviewed during the audit engagement had required supporting employee forms and documents.

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

The Commission is in compliance with employee Equal Employment Opportunity (EEO) Standards Training required under Texas Labor Code, Section 21.010 (c) and (d); and Texas Administrative Code, Title 40, Section 819.24 . Signed EEO training certificates are filed in each employee personnel file as required by the aforesaid Texas Labor Code and Texas Administrative Code sections.

The Commission is in compliance with the Immigration and Nationality Act (INA) added by the Immigration Reform and Control Act of 1986 (IRCA) which requires that employers must complete a Form I-9 (Employment Eligibility Verification) for every new employee they hire after November 6, 1986.

The Commission provides all employees who are terminating their employment access to the State Auditor's Office online exit survey as required by Texas Government Code, Section 651. 007.

#### **Finding 1. Annual Employee Performance Evaluations Are Not Being Consistently Conducted**

*Criteria:* Chapter 7 of the Texas Animal Health Commission Employee Handbook requires that supervisors must:

- conduct introductory employee evaluations at the completion of the first six (6) months of employment; and
- conduct all regular employee evaluations each year during the month of the employee's anniversary date of employment.

*Condition:* During our audit of the Commission's personnel files we noted that eight (8) employees out of the twenty (20) employee files tested did not have annual performance evaluations within the last 12

months and longer. The time from when a performance evaluation should have been conducted for the eight employees ranged from three months to thirty-five months.

*Cause:* Commission management acknowledged that the agency was behind in conducting annual performance evaluations on employees.

*Effect:* Without a timely evaluation of employee performance, the following risks are present:

- Employees may be unaware of good performance or substandard performance.
- Employment action decisions such as promotion, demotion, termination, and merit raises may not be supported by sufficient and documented performance information.
- Employees may not receive needed training and development to improve performance and to address performance issues.

**Recommendation:**

We recommend that the Commission institute controls to ensure that annual performance evaluations are conducted on employees in accordance with the TABC Employee Handbook.

***Management Response:***

*The Commission agrees with this finding. The Human Resources Office (HRO) has had a policy of notifying managers when employees' evaluations are due; however, oftentimes managers ignore the notification and do not perform timely evaluations.*

*The policy has been that employees receive evaluations after being on the job for six (6) months and evaluated on their anniversary month with the agency thereafter. Even though the HRO sends managers a notification that an employee's evaluation is due, it is sometimes difficult for the manager to remember to evaluate employees on their anniversary month.*

*In an attempt to alleviate this confusion, all employees' evaluations will be due before the first of the calendar year. Managers will be required to complete all their employees' evaluations during the months of November and December. Evaluations will be past due on January 1, beginning on January 1, 2019.*

*Managers will receive a reminder about all evaluations being due in that timeframe on November 1 and again on December 1. If evaluations are not performed during that two-month period, the manager and his/her direct manager will receive a delinquent notice.*

*New or newly promoted employees will still require a (6) six-month probationary evaluation, but it will not negate the annual evaluation, regardless of the date of the probationary evaluation.*

*Additionally, no personnel action will be allowed without a current evaluation, to include merit increases, promotions, reclassifications, demotions and/or career ladder moves.*

**Finding 2. Driving Record Background Checks Are Not Being Conducted on Applicants Being Hired**

*Criteria:* Chapter 2 of the TAHC Employee Handbook states that the Staff Services Department will perform a driving record check prior to making an employment offer to an applicant if the job position being filled is one that requires driving as an essential function of the job. A negative background investigation may result in an applicant being rejected for employment.

*Condition:* During our audit of twelve (12) employee files whose job functions require driving, we noted that a driving record check had not been performed on any of the twelve employees.

*Cause:* At the time of the audit engagement driving record background checks were not being conducted on job applicants being hired where driving was an essential function of the job.

*Effect:* In not performing a driving record check prior to an applicant being hired, the agency is not in compliance with the TAHC Employee Handbook requirements and would also not know if the applicant would have been hired or rejected for employment based on the driving record check results.

**Recommendation:**

We recommend that the Commission comply with the TAHC Employee Handbook requirement of performing a driving record check prior to making an employment offer if the job position requires driving as an essential function of the job.

***Management Response:***

*The Commission agrees with this finding. The driving record check process was not followed closely during the period after the Commission had experienced a hiring freeze. A great emphasis was placed on hiring staff quickly and driving record checks were delayed until after staff was hired to expedite the process.*

**Internal Audit Objective 3: Efficiency and Effectiveness of Operating Procedures**

The Commission's Human Resource Department staff is very knowledgeable and experienced.

Employee files' supporting documents were well organized and consistent.

**Internal Audit Objective 4: Safeguarding of Assets**

The Commission has a process in place to ensure that accessibility to the agency's computer systems is eliminated as soon as an employee terminates employment with the agency.



## *Appendix 1*

### **Objective and Scope**

#### **Objective**

The audit objectives are to determine the following:

- Reliability and Integrity of Information
- Compliance with policies, procedures, laws and regulations
- Efficiency and Effectiveness of Operating Procedures
- Safeguarding of assets

#### **Scope**

The scope of the audit work included ensuring compliance with the Texas Labor Law, Government Code, Texas Animal Health Commission Employee Handbook, and operating policies and procedures. The scope included interviews with the Human Resource Department Manager, and human resources staff. Employee files, employee training files, TAHC Employee Handbook, human resource forms, and other pertinent reports and documents were tested for accuracy and compliance.

#### **Methodology**

Our procedures included collecting information and documentation; performing selected tests and other procedures; analyzing and evaluating the results of the tests; reviewing operating policies and procedures, laws, and regulations, conducting interviews with the appropriate TAHC staff; testing for compliance with policies, procedures and laws; and review of other pertinent reports and documentation.

*Information collected and reviewed* included the following:

- List of TAHC employees with job titles and dates of employment
- List of TAHC staff involved in personnel processing functions
- Agency Employee Handbook policies and procedures (11/07/2016)
- List of EEOC and other training conducted during fiscal year 2017
- List of terminated employees during Fiscal Year 2017
- Texas Animal Health Commission Website
- State Auditor's Office: Texas Human Resources Management Statutes Inventory (2018-2019) Biennium
- Agency appropriations Fiscal Years 2016-2017

Procedures and tests conducted included the following:

- Interviewed Human Resource Department Manager and human resources personnel to obtain an understanding of the personnel functions, activities, and controls in place.
- Interviewed the human resources personnel to obtain an understanding of the personnel training functions, activities, and controls in place.
- Obtained and reviewed State human resources requirements.
- Obtained and reviewed employee personnel files
- Obtained and reviewed employee medical and training files
- Tested for compliance with TAHC Employee Handbook requirements
- Tested for accuracy and completeness of employee information in personnel files
- Tested for compliance with required state and federal employee training requirements
- Other pertinent reports and documents

Criteria Used included the following:

- Texas Animal Health Commission Employee Handbook (11/07/2016)
- Texas Workforce Commission, Texas Labor Code, Chapter 21 Review
- State Auditor's Office: Texas Human Resources Management Statutes Inventory
- Texas Labor Code, Chapter 21, Employment Discrimination (EEO)
- Position Classification Act, Texas Government Code, Section 654
- Texas Animal Health Commission 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 2017 the Commission had an authorized workforce of 185.2 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*

### **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: Drew Deberry  
Phone: (512) 463-1778  
Budgetandpolicyreports@governor.state.tx.us

#### **Legislative Budget Board**

Attn: Julie Ivie  
Phone: (512) 463-1200  
Audit@lbb.state.tx.us

#### **State Auditor's Office**

Attn: Internal Audit Coordinator  
Phone: (512) 936-9500  
iacoordinator@sao.state.tx.us

#### **Sunset Advisory Commission**

Attn: Ken Levine  
Phone: (512) 463-1300  
sunset@sunset.state.tx.us

#### **Texas Animal Health Commission**

Coleman H. Locke, Chairman  
Brandon Bouma  
William Edmiston, Jr., D.V.M  
Jim Eggleston  
Ken Jordan  
Thomas "Tommy" Kezar  
Joe L. Leathers  
Thomas E. Oates  
Stephen Selman  
Leo D. Vermedahl  
Mike Vickers, D.V.M.  
Eric D. White  
Jay R. Winter

#### **Texas Animal Health Commission Management**

Andy Schwartz, D.V.M., Executive Director