

INTERNAL AUDIT OF THE
REGION 4 OFFICE – MOUNT PLEASANT, TEXAS

AS OF JULY 30, 2015

AT THE
TEXAS ANIMAL HEALTH COMMISSION

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Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

We have conducted an internal audit (audit) of the Region 4 Office (Mount Pleasant, 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 July 30, 2015. The results of our tests disclosed that, generally, the region 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, 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 N. Rufus, P.C.

July 30, 2015
Austin, Texas

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Executive Summary

There are seven region offices in Field Operations. The Region 4 Office (Region) is located in Mount Pleasant, Texas and is staffed with thirteen (13) 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 23 active markets in Region 4 as of July 30, 2015. The Region 4 Office also covers a total of 36 counties in the State of Texas. **Appendix 3** shows a list of Region 4 counties. In 2012, 2013, and 2014 a total of 633,251, 648,486, and 695,220 animals were processed through these markets, respectively. **Appendix 4** provides more detailed information on the livestock markets.

The Region 4 Office Director, who is a veterinarian, is responsible for and oversees all of the activities administered through the Region 4 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 4 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 inspector's 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 4 Office utilizes the SCS to provide field operations, epidemiologists, staff, and commissioners with timely and accurate data.

Internal Audit Results

Generally, the Region 4 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 enhanced by monitoring of E-permits verification time requirements and independent verification of data entry into the Profiler System.

There were no other deficiencies detected in the audit of the Region 4 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

The Data Accuracy Monitoring (DAM) Report will be applied for information being reported in Profiler. There were 281 permits for verification in Region 4 and 25 sampled and two of those exceeded the timeframe of 30 days. That was a work load issue with a specific individual for both permits and has been addressed.

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.

Data entered in the Surveillance Cooperative Services (SCS) Data Base system is being entered correctly and verified by an independent person.

Finding 1: Data Entry Into The Profiler System is Not Being Independently Verified

Criteria:

Data entry into the Surveillance Cooperative Services system and Profiler System should be independently verified by an independent person to ensure the accuracy, reliability, and integrity of the data.

Condition:

Data entered into the Profiler System by the administrative assistants is not being verified by an independent person at the Region 4 Office.

Cause:

There is no system for independent verification of data entry into the Profiler System.

Effect:

The reliability of the information being submitted may be impacted due to the lack of independent verification data entered.

Recommendation:

Management should incorporate a process for an independent person to verify Profiler System data entry similar to the current process used to independently verify SCS system data entry.

Management Response

The Data Accuracy Monitoring (DAM) Report will be applied for information being reported in Profiler. There were 281 permits for verification in Region 4 and 25 sampled and two of those exceeded the timeframe of 30 days. That was a work load issue with a specific individual for both permits and has been addressed.

Finding 2: 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 4 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 after being issued. There were 281 E-Permits issued and forwarded to the Region 4 Office for verification in fiscal year 2014.

Condition:

Two (2) E-permits (P33R1, P63R1) of the 25 E-permits tested were verified by inspectors after 53 and 50 days, respectively, from the date the E-permits were issued.

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:

Status is unknown on the number and movement of the animals authorized to be moved according to the E-permit issued by the Commission. There also appears to be noncompliance with TAC, Chapter 51-Entry Requirements.

Recommendation:

Region 4 Office should institute controls to ensure compliance with the 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

There were 281 permits for verification in Region 4 and 25 sampled and two of those exceeded the timeframe of 30 days. That was a work load issue with a specific individual for both permits and has been addressed.

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

The Region 4 Office has the Commission and other standard operating policies and procedures manual on hand. There is a system in place to ensure that activities of the staff comply with policies, procedures, laws, and regulations.

Internal Audit Objective 3: Safeguarding of Assets.

No significant deficiencies were noted during the internal audit of the Petty Cash Fund (\$500). The Petty Cash Fund and checkbook are adequately secured with the checkbook being reconciled on a timely basis. Any insignificant issues noted have been communicated to the management of the Commission as required by *Government Auditing Standards*.

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.

The 13 employees assigned to Region 4 Office during the audit have in excess of 177 years of experience and service to the State of Texas. This is an average of 13.5 years of service per employee.

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 4 Office operating policies and procedures. The scope included interviews with Region 4 Office 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 4 Office management completed risk assessment questionnaires related to the Office functions to assist in obtaining information in identifying controls which are in place regarding Region 4 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 manuals, rules, and regulations for field offices
- List of terminated employees in fiscal year 2014
- List of assigned fixed assets in inventory as of August 21, 2014
- General Appropriation Act (FY 2014-2015)
- Texas Animal Health Commission Website

Procedures and tests conducted included the following:

- Interviewed Commission management and staff to obtain an understanding of the Region 4 Office functions and activities and controls in place.
- Obtained, reviewed, and tested employees' Time & Travel Tracker 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 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 Policies and Procedures Manual
- 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 2014 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 3

List of Region 4 Office Counties



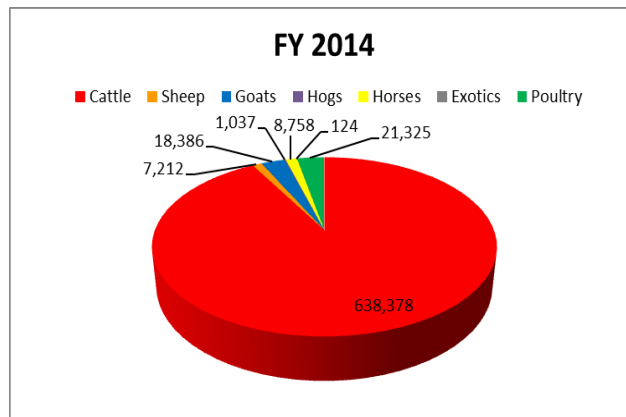
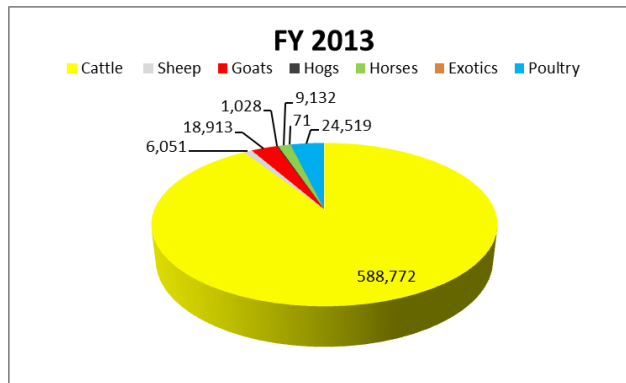
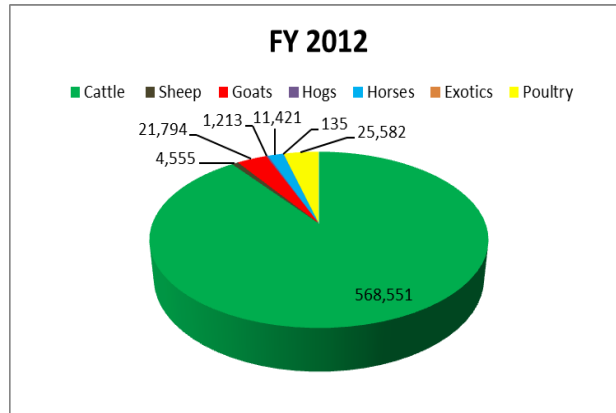
Counties - 36

Anderson	Franklin	Lamar	Sabine
Angelina	Grayson	Marion	San Augustin
Bowie	Gregg	Morris	Shelby
Camp	Harrison	Nacogdoches	Smith
Cass	Henderson	Panola	Titus
Cherokee	Hopkins	Rains	Trinity
Collin	Houston	Red River	Upshur
Delta	Hunt	Rockwall	Van Zandt
Fannin	Kaufman	Rusk	Wood

Appendix 4

Summary of Auctions (Unaudited)

	FY 2012	FY 2013	FY 2014	Total
Cattle	568,551	588,772	638,378	1,795,701
Sheep	4,555	6,051	7,212	17,818
Goats	21,794	18,913	18,386	59,093
Hogs	1,213	1,028	1,037	3,278
Horses	11,421	9,132	8,758	29,311
Exotics	135	71	124	330
Poultry	25,582	24,519	21,325	71,426
Total	633,251	648,486	695,220	1,976,957



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: Jonathan Hurst
internalaudits@governor.state.tx.us

Legislative Budget Board

Attn: Ed Osner
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State Auditor's Office

Attn: Internal Audit Coordinator
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