

INTERNAL AUDIT OF THE  
REGION 5 OFFICE – BEEVILLE, TEXAS

AS OF OCTOBER 23, 2013

AT THE

TEXAS ANIMAL HEALTH COMMISSION

 MONDAY N. RUFUS, P.C.  
*Certified Public Accountants and Consultants*

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**Member: American Institute of Certified Public Accountants**

Audit Committee  
and Commissioners  
Texas Animal Health Commission  
Austin, Texas

We have evaluated the Region 5 Office (Beeville, 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 October 23, 2013. The results of our 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, we did observe some opportunities for improving the operations.

We have discussed this report with various Commission personnel, and we will be pleased to discuss it in further detail at your convenience.

*Monday N. Rufus, P.C.*

October 23, 2013  
Austin, Texas

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## **Executive Summary**

There are seven region offices in Field Operations. The Region 5 Office (Region) is located in Beeville, Texas and is staffed with fourteen (14) 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 11 active markets in Region 5 as of October 23, 2013. The Region 5 Office also covers a total of 38 counties in the State of Texas. **Appendix 3** shows a list of Region 5 counties. In 2010, 2011, 2012, and 2013 a total of 442,437, 489,184, 448,537, and 371,082 animals were processed through these markets, respectively. **Appendix 4** provides more detailed information on the livestock markets.

The Region 5 Office Director, who is a veterinarian, is responsible for and oversees all of the activities administered through the Region 5 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 5 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 5 Office utilizes the SCS to provide field operations, epidemiologists, staff, and commissioners with timely and accurate data.

### **Internal Audit Results**

Generally, the Region 5 Office has implemented 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, we noted operations may be strengthened by improving fixed assets accountability, monitoring of E-permits, data entry, and monthly reconciliation of petty cash transactions.

#### ***Summary of Management's Response***

*The missing information has been entered into SCS. Additionally, R5 staff has entered all back-logged brucellosis test records through October 15, 2013.*

*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.*

*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.*

*The finding has been shared with TAHC Program Records for review and amendment of procedures and/or policies as needed.*

*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.*

*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.*

*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 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.*

## **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 is entered into the Surveillance Cooperative Services (SCS) Data Base system using different input forms.

#### **Finding 1: Brucellosis Test Information Was Not Found in the Surveillance Cooperative Services (SCS) Data Base for Seven (7) Animals Tested in a County**

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 county is one of the thirty-eight (38) counties tested in Region 5.

Recommendation:

Region 5 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.

*Management's Response:*

*The missing information has been entered into SCS. Additionally, R5 staff has entered all back-logged brucellosis test records through October 15, 2013.*

*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.*

## **Finding 2: Strengthen Controls Over E-Permits**

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 the Region 5 Office for verification in fiscal year 2013.

Fourteen (14) of the 86 E-Permits were tested with the results shown below:

Of fourteen (14) E-Permits tested:

- 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.

***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).

### **Recommendation:**

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.

### ***Management Response:***

*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.*

*The finding has been shared with TAHC Program Records for review and amendment of procedures and/or policies as needed.*

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

The Region 5 Office has the Commission and other standard operating policies and procedures manual on hand. The Commission's Field Operations Manual for Inspectors is available in the office and each inspector is provided a copy when hired. 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.

The Petty Cash Fund and checkbook is adequately secured.

During the internal audit of the Petty Cash Fund (\$500), the following discrepancies were noted as shown below:

**Finding 3: Petty Cash Account Is Not Reconciled and Updated Timely**

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 as being made for the amount of \$299.25 on 3/8/2013.
2. A deposit for the amount of \$99 made to the Bank on 07/05/2013 had not been posted on the Petty Cash Log as of October 3, 2013.

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.

Recommendation:

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 documentations 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.

*Management's Response*

*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.*

**Finding 4: Strengthen Controls Over Fixed Assets**

During the testing of fixed assets we noted the following:

- 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 \$13,010) and the other a 6' x 20' Custom Livestock Trailer ¾ Metal Top (Inventory #55408416, Cost \$11,800).
- 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.



- 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.

Recommendation:

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 *State Property Accounting Process User's Guide* to report missing fixed asset property during the year-end physical inventory process or when noticed missing.

*Management Response:*

*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.*

*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 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.*

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

There is a system in place to ensure monitoring of the staff workload. New support personnel are being 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 14 employees assigned to Region 5 Office during the audit have in excess of 107 years of experience and service to the State of Texas. This is an average of 7.7 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 5 Office operating policies and procedures. The scope included interviews with Region 5 Office Region Director 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 5 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 5 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 2013
- List of assigned fixed assets in inventory as of August 21, 2013
- 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 5 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 and compared inspectors' Time & Travel Tracker reports with livestock market reports projects and activity codes.

- 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 5 Office Counties



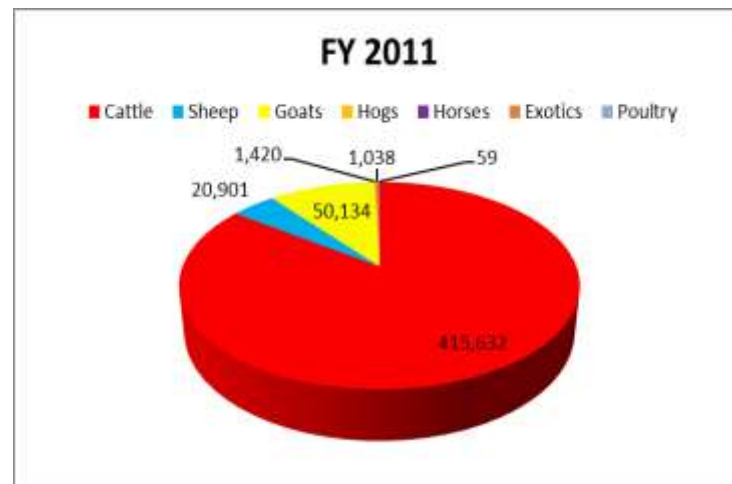
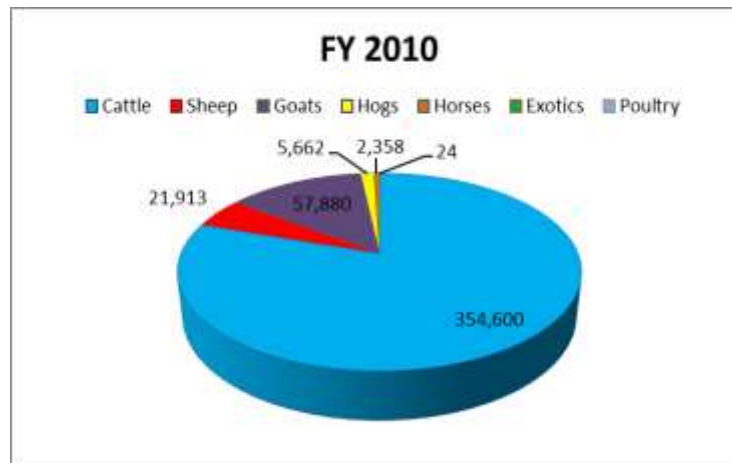
### Counties - 38

Aransas	Duval	Kendall	McMullen	Val Verde
Atascosa	Edwards	Kenedy	Medina	Webb
Bandera	Frio	Kerr	Nueces	Willacy
Bee	Goliad	Kinny	Real	Wilson
Bexar	Hidalgo	Kleberg	Refugio	Zapata
Brooks	Jim Hogg	La Salle	San Patricio	Zavala
Cameron	Jim Wells	Live Oak	Starr	
Dimmit	Karnes	Maverick	Uvalde	

## Appendix 4

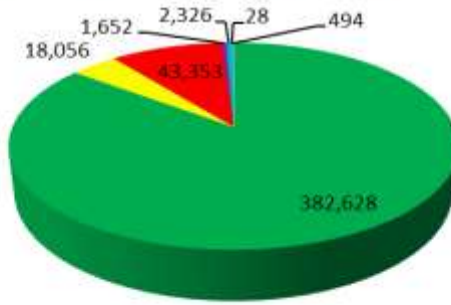
### Summary of Auctions (Unaudited)

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>Total</b>
Cattle	354,600	415,632	382,628	295,358	1,448,218
Sheep	21,913	20,901	18,056	25,904	86,774
Goats	57,880	50,134	43,353	46,309	197,676
Hogs	5,662	1,420	1,652	1,679	10,413
Horses	2,358	1,038	2,326	1,825	7,547
Exotics	24	59	28	7	118
Poultry			494		494
<b>Total</b>	<b>442,437</b>	<b>489,184</b>	<b>448,537</b>	<b>371,082</b>	<b>1,751,240</b>



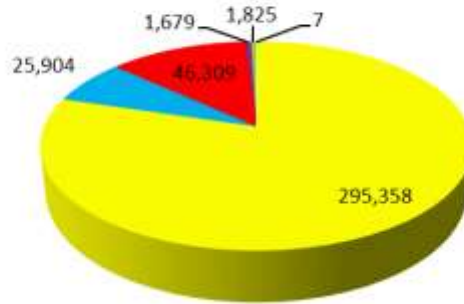
### FY 2012

Cattle Sheep Goats Hogs Horses Exotics Poultry



### FY 2013

Cattle Sheep Goats Hogs Horses Exotics Poultry



## 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  
Ed.Osner@lbb.state.tx.us

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

Attn: Internal Audit Coordinator  
iacoordinator@sao.state.tx.us

#### **Sunset Advisory Commission**

Attn: Ken Levine  
sun@sunset.state.tx.us

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

Ernie Morales, Chairman  
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Coleman Hudgins Locke  
Charles "Chuck" Real  
Ralph Simmons  
Mike Vickers, D.V.M.  
Mark A. Wheelis  
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#### **Texas Animal Health Commission Management**

Dee Ellis, D.V.M., Executive Director