

**AUDIT FOLLOW-UP: INTERNAL AUDIT OF THE
REGION 7 OFFICE – ROCKDALE, TEXAS
AS OF MAY 11, 2015
AT THE
TEXAS ANIMAL HEALTH COMMISSION**

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Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

We have reviewed the status of our internal audit recommendations related to the Region 7 Office
(*Original Report Date: September 27, 2012*) as of May 11, 2015.

The accompanying schedules summarize our original finding and recommendation, current status, and remarks.

We appreciate the courtesy and cooperation shown by the management of the Agency during the course of the engagement.

Monday N. Rufus, P.C.

May 11, 2015
Austin, Texas

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Executive Summary

The Texas Animal Health Commission (Commission) enabling statutes are in Chapter 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, and is authorized to regulate entry of livestock, domestic animals, and domestic fowl into the state; and control the movement of livestock. The Commission is comprised of field inspectors, veterinarians, epidemiologists, laboratory personnel, and administrative staff. The Commission works closely with local, state, federal, livestock producers, industry partners, and the public, on animal issues. The Commission is also supported by the veterinary community and the United States Department of Agriculture (USDA) to assure proper tracing of movement of exposed and infected animals to determine the origin of infections and minimize the transmission of disease.

There are seven region offices in Field Operations. The Region 7 Office (Region) is located in Rockdale, Texas and is staffed with thirteen employees (FTEs), 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.

Internal Audit Results

The scope of this internal audit follow-up was limited to following up on the finding and recommendation included in the Region 7 Office (*Original Report Date: September 27, 2012*).

Appendix 1 summarizes and provides the status and steps taken by the management of the Commission to the recommendation made in the report.

Appendix 1:

ENTITY: Texas Animal Health Commission
PROJECT: Follow-up on prior Internal Audit Recommendations – Region 7 Office (Original Report
September 27, 2012)
FISCAL YEAR: 2015

PRIOR FINDINGS/RECOMMENDATIONS (issued by the prior Internal Auditor)	CURRENT STATUS	AUDITORS' REMARKS
<p><u>Finding 1: Strengthen Controls Over Fixed Assets</u></p> <p>Of the 15 fixed asset items tested, 2 (13%) did not have the correct information as listed on the Commission's Inventory Report.</p> <ol style="list-style-type: none"> 1. The serial number for the fixed asset item (Inventory # 0004308, Serial # C00403725) for a READER STICK RS320-2-60 does not match the numbers on the Commission's records. The Serial number on the fixed asset item is C00404325. 2. The serial number for fixed asset item (Inventory # 00003533, Serial # 103TBNF758) for a Motorola Radio does not match the numbers on the Commission's records. The Serial number on the fixed asset item is GCN61138. <p><u>Recommendation:</u></p> <p>The Region 7 Office and the Austin Central Office (Staff Services) should reconcile their Personal Property Inventory records by processing the proper inventory forms and documentation to accurately record the status of the Region 7 Office fixed asset items.</p> <p><u>Management Response</u></p> <p>The inventory discrepancies are being addressed by agency management. This is all being corrected as the agency does an annual inventory verification using Staff Services to try to catch these deficiencies and reconcile to the proper documents.</p>	<p>I</p>	<ol style="list-style-type: none"> 1. Met with Region 7 Office management and the Austin Central Office (Staff Services) management to obtain information on the status and accountability of agency Personal Property inventory items. 2. Obtained the Personal Property inventory printout of the Region 7 Office from the TAHC Staff Services for fiscal year ending August 31, 2014. 3. Selected and tested a sample of fixed asset Inventory items from the Region 7 Office including fixed assets # 0004308 and # 00003533 listed in the prior audit report dated September 27, 2012. 4. Met with TAHC Financial Services management to obtain information on the process followed in the reconciliation of the Region 7 Office Personal Property inventory to the Staff Services inventory records, to the Financial Services year-end inventory reports which are required to be filed by TAHC. 5. All of the Region 7 Office fixed assets tested were accounted for, including the fixed assets #0004308 and #00003533. 6. Region 7 Office fixed asset items which were transferred, deleted, or have had changes to make corrections, were properly supported by inventory forms and documentation to accurately record their current status on the inventory records. <p>No further work is deemed necessary in this area at this time.</p>

I = Implemented

P = Partially Implemented

N = Not Implemented

Appendix 2

Objective and Scope

Objective

The objective of this internal audit follow-up was limited to following up on the finding and recommendation included in the audit of the Region 7 Office (Original Report Date: September 27, 2012).

Scope

Our procedures included reviewing the previous audit report, inquiring about the status of the report's recommendation, meeting with Commission management, obtaining supporting documentation, and verifying the information.

Methodology

The internal auditor met with the Texas Animal Health Commission headquarters and Region 7 management regarding the respective audit follow-up to determine the current status of the prior audit finding, recommendation, and corrective action(s) taken by management for the Region 7 Office original audit report.

Information collected and reviewed included the following:

- Original Audit Reports for:
 - Internal Audit of the Region 7 Office (Dated September 27, 2012)
- Reviewed inventory records for the Region 7 Office and TAHC Staff Services for Fiscal Year 2014.
- Met with new Staff Services personnel and obtained an understanding of the new inventory system which has currently been implemented to account for agency fixed assets.
- Met with Fiscal Services management to obtain understanding of inventory accountability and reporting processes between Fiscal Services and Staff Services personnel in reconciling and reporting personal property inventory to other state regulatory agencies such as the State Comptroller's Office and State Auditor's Office.

Procedures and tests conducted included the following:

- Met with Commission management to discuss the current status of the prior audit report's recommendations and corrective actions.
- Reviewed recent State Auditor's audit reports issued to determine if any of their audit results would affect or change our internal audit follow-up report's recommendation.

- Reviewed current TAHC Staff Services personal property inventory system and statewide inventory taking processes for fixed assets assigned to the Region 7 Office.
- Tested that proper forms and supporting documentation were processed when an assigned fixed asset changed location or status (e.g. transferred, obsolete, worn out, etc...)
- Tested fixed assets inventory records at the Region 7 Office and compared them to the TAHC Staff Services inventory records for proper reconciliation.

Criteria Used included the following:

Region 7 Office:

- TAHC Fixed Assets Inventory Policies and Procedures
- TAHC Reconciliation Processes Between Region 7 and Staff Services
- State Property Accounting Reporting of statewide Regions

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 3

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 4

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: Kathy McGrath
internalaudits@governor.state.tx.us

Legislative Budget Board

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State Auditor's Office

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