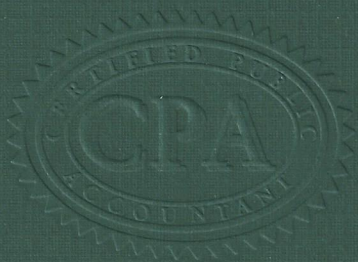


INTERNAL AUDIT OF THE
CASH RECEIPT AND FEE PROCESSING
AT THE
TEXAS ANIMAL HEALTH COMMISSION
AS OF AUGUST 15, 2022
(Report No. TAHC 022-002)



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



MONDAY RUFUS & CO., P.C.
Certified Public Accountants & Advisors

Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

We have conducted an internal audit (audit) of the Cash Receipt and Fee Processing at 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, economical and efficient use of resources, and accomplishment of established objectives and goals for operations as of August 15, 2022. The results of our tests disclosed that, generally, the Commission has controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, economical and efficient use of resources, and accomplishment of established objectives and goals for operations. However, we identified certain opportunities for enhancing the processes in place.

The report that accompanies this letter summarizes our comments.

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

Monday Rufus & Co., P.C.

August 15, 2022
Austin, Texas

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Introduction and Executive Summary

The Texas Animal Health Commission's (Commission) 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, and is authorized to regulate the entry of livestock, domestic animals, and domestic fowl into the state; and control the movement of livestock. The Commission is funded by a combination of state general revenue funds and federal funds from the United States Department of Agriculture (USDA). The Commission's staff 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 health issues. The Commission is also supported by the veterinary community and the USDA to assure proper tracing of the movement of exposed and infected animals to determine the origin of infection and minimize the transmission of disease.

The Commission has established processes used for the surveillance of livestock and for the prevention, eradication, and control of livestock diseases. There are processes to test livestock for diseases, monitor the movement of livestock, and take action on diseased livestock. The Commission has implemented control systems to ensure the reliability and integrity of information; compliance with policies, procedures, applicable laws and regulations; and the efficiency and effectiveness of its operations to the extent possible with available resources.

The Commission is funded by a combination of State general revenue funds and Federal funds, mainly from the USDA. The agency's appropriation for Fiscal Year 2022 was projected at \$15,457,063.

Receipts are mainly from Chronic Wasting Disease fees (CWD), Fowl Registration, and Certificate of Veterinary Inspection (CVI). For CVI's, order can be placed via TAHC eCVI Web Application, Online using an approved vendor website, Order Book Online, or Mail. The payments for eCVI orders and Book Online are processed via Texas.gov. Total cash receipts collected for fees and services provided by the Commission for fiscal year 2021 were \$3,607,619. This includes \$2,870,161 from federal government, \$472,209 from mail, and \$265,249 from online receipts.

Internal Audit Results

The Commission has effective procedures and controls in place for the processing, handling, and receipting of cash.

Checks are restrictively endorsed when received and cash receipts are deposited in a timely manner at the State Comptroller's Office. Cash receipts awaiting to be deposited or kept overnight are locked in a cabinet with access available only to authorized personnel. There is adequate segregation of duties among the employees from different divisions performing the

cash receipt and fee processing functions. Cash receipt deposits are processed by several administrative staff and reviewed by the Director of Financial Services.

During the audit, we identified certain opportunities for improving the procedures in place. However, access to unused Certificates of Veterinary Inspection (CVIs) should be restricted and properly accounted for, and review of daily reconciliations should be properly documented, and cash receipts should be deposited within 3 days of receipt as required by Texas Government Code, Section 404.094.

Summary of Management's Response

A monthly supervisory review has been implemented effective 9/1/2022. The agency is now fully aware of the courier delivery delay to the state treasury if received after 9:00 am from the agency. All parcels picked up by courier after 9:00am do not get delivered to the treasury until the next day business day. Effective 9/1/22 our process controls have been updated to approve and release agency deposit transactions in accordance with courier schedule for delivery to the treasury. We have enclosed the unused CVIs in an area in the warehouse that is locked and only accessible by certain staff. This should mitigate the issue.

Objectives and Results

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. Economical and Efficient Use of Resources
5. Accomplishment of Established Objectives and Goals for Operations

Internal Audit Objective 1: Reliability and Integrity of Information

- The Director of Financial Services reviews all cash receipt deposits before they are sent to the State Comptroller's Office.
- Cash receipt reports are reconciled daily by an assigned Accountant and reviewed and by the Director of Financial Services.

Finding #1: Enhance Controls over Reconciliation of Cash Receipts

Criteria

Cash receipt reconciliations are necessary to ensure that transactions have been properly processed and recorded. A strong internal control structure over cash includes properly prepared, reviewed, and documented reconciliations. This process ensures that cash receipt information is adequately supported and aids in the detection of data input errors, processing errors, and/or irregularities.

Condition

An accountant in the Financial Services Division prepared cash receipts and deposits with State Comptroller's USAS accounts. Each reconciliation was signed, dated, and documented by the preparer, but there was no evidence of supervisory review of these reconciliations.

Cause

Based on inquiry of the Financial Services management and auditor's observation of cash receipt processes, controls had not been designed to document supervisory review of reconciliations.

Effect

Due to the lack of documentation, there was no evidence of the supervisory or independent review. As a result, reconciliations might be improperly prepared, and errors made without timely detection.

Recommendation

We recommend management implement controls to provide evidence of supervisory review of cash receipts and deposit reconciliations.

Management's Response:

A monthly supervisory review has been implemented effective 9/1/2022

Responsible Person for implementation: Coretta Briscoe, Director of Finance & Budget

Completion Date: September 1, 2022

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

- Cash Receipts are being collected in accordance with Commission policies and procedures.
- Cash receipts for Commission fees are being collected in compliance with Texas Administrative Code Title 4, Part 2.

Finding #2: Deposit Funds Received by the Third Business Day

Criteria

According to Texas Government Code, Section 404.094 (TAC 404.094), funds received by a state agency must be deposited in the treasury at the earliest possible time the treasury can accept those funds, but not later than the third business day after the date of receipt.

Condition

We randomly selected a sample of 40 items from a total of 1746 transactions and tested for different attributes including compliance with TAC 404.094. We determined all transactions were adequately supported, but 9 cash receipts were not deposited within the third business day, as required by TAC 404.094. One of those items also lacked documentation of a validated deposit slip, but we determined the deposit date by reviewing other supporting documentation provided by the Financial Services Division.

Cause

Management of Financial Services Division indicated that the deposits were prepared on time but might not have been picked up for deposit.

Effect

The identified funds were not deposited in the treasury by the third day as required by TAC404.094.

Recommendation

We recommend management implement controls to ensure funds are made as required by TAC 404.094.

Management's Response:

The agency is now fully aware of the courier delivery delay to the state treasury if received after 9:00 am from the agency. All parcels picked up by courier after 9:00am do not get delivered to the treasury until the next day business day. Effective 9/1/22 our process controls have been updated to approve and release agency deposit transactions in accordance with courier schedule for deliver to treasury.

Responsible Person for implementation: Coretta Briscoe, Director of Finance & Budget

Completion Date: September 1, 2022

Internal Audit Objective 3: Safeguarding of Assets

- Mail received is opened in an open area and processed by at least two employees.
- All checks and money orders are restrictively endorsed for deposit immediately after the money item is extracted from the envelopes.
- Cash receipt checks, money orders and supporting documents are reviewed and handled by at least two employees from the Program Records and Financial Services sections during the depositing process.
- Cash receipt payments for purchases of Certificates of Veterinary Inspection (CVI) are received first before the CVI certificates (books) are sent to the purchaser.

Finding 3: Improve Access To Unused Certificates of Veterinary Inspection

Criteria:

The TAHC should properly secure unused Certificates of Veterinary Inspection to ensure proper accountability. Inventory of unused Certificates of Veterinary Inspection (CVIs) are controlled by employees in Staff Services who are independent of cash receiving functions. The Staff Services employees' duties do not involve opening the daily mail for the agency which usually contains checks and money orders for payments of fees and services. They do not send out the Certificates of Veterinary Inspection which are ordered and paid by veterinarians by mail or electronically online. This is a good control.

Condition:

Controls were not in place to prevent possible misuse and/or fraud with the unused CVIs. The Program Records employees responsible for filling the orders and sending them out to veterinarians by mail had complete access to the CVIs and there were no procedures for checking out the items.

Cause:

There are no established processes to ensure proper accountability of unused CVIs.

Effect:

Due to the lack of proper procedures for establishing accountability of unused CVIs, there is a risk that errors and/or irregularities could occur without detection by management in a timely manner.

Recommendation:

The TAHC management should improve controls to ensure proper accountability and protection of unused CVIs.

Management's Response:

We have enclosed the unused CVIs in an area in the warehouse that is locked and only accessible by certain staff. This should mitigate the issue.

Responsible Person for implementation: *Myra Sines, Chief of Staff*

Completion Date: *September 1, 2022*

Internal Audit Objective 4: Economical and Efficient Use of Resources

- Credit card payments for Commission fees are processed electronically through Texas Online and fees are deposited directly to the Commission's fund account(s) at the State Comptroller's Office.

Internal Audit Objective 5: Accomplishment of Established Objectives and Goals for Operations

The Commission has effective procedures and controls in place for the processing, handling, and receipting of cash. However, access to unused Certificates of Veterinary Inspection (CVIs) should be restricted and properly accounted for, deposits waiting to be deposited should be properly protected and placed in a fireproof cabinet, and review of daily reconciliations should be properly documented, and cash receipts should be deposited within 3 days of receipt as required by Texas Government Code, Section 404.094.

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*
- *Economical and Efficient use of Resources*
- *Accomplishment of Established Objectives and Goals for Operations*

Scope

The audit scope of the internal audit included reviewing the effectiveness of the cash receipt and fee processing and controls in place at the Texas Animal Health Commission.

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 staff of the Commission, testing for compliance with policies, procedures and laws, and review of other pertinent reports and documentation.

Data Reliability and Completeness

We obtained an understanding of the cash receipt processing. To ensure reliability, validity, and completeness of the data, we gained an understanding of logical access and general controls and tested those controls as appropriate.

Sampling Methodology

We selected a random sample of cash receipts and traced supporting documentation. That sample size was not necessarily a representative of the population as the intent was not to project test results to the population.

Information collected and reviewed included the following:

- The Commission’s cash receipts policies and procedures.
- Cash receipt supporting documentation and deposit vouchers.
- Financial Services division’s daily deposits reconciliations with State Comptroller’s USAS accounts.
- Cash Receipt deposit logs
- General Appropriation Act (FY 2022-2023)
- Responses to Questionnaire
- Certificate ordering options on TAHC website
- TAHC agency website

Procedures and tests conducted included the following:

- Interviewed Commission management and staff to obtain an understanding of the agency’s cash receipts and fee functions, activities, and controls in place.
- Gaining an understanding of the Commission’s control structure related to cash receipts and fee processing, handling, and receipting process.
- Testing internal controls over cash processing, handling, and receipting process.
- Tracing cash receipt transactions from mailroom to daily deposits and deposit support sent to the State Comptroller’s office.
- Validated deposit slips, three-day deposit requirements, daily reconciliation reports, CAPPs, USAS, and determined proper recording.
- Tested compliance of cash receipts collected with the Texas Agriculture Code and the Texas Administrative Code.

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
- Commission’s Website
- Texas Government Code 404.094
- Texas Administrative Code Title 4, Part 2.
- 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 Information

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 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 2022 the Commission has an authorized workforce of 215.2 full-time equivalent employees (FTEs). The Commission's staff is comprised of field inspectors, veterinarians, veterinary epidemiologists, 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: Sarah Hicks

Phone: (512) 463-1778

Budgetandpolicyreports@gov.texas.gov

Legislative Budget Board

Attn: Christopher Mattsson

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Texas Animal Health Commission Management

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