

INTERNAL AUDIT OF THE  
REGION 8 OFFICE  
(LAREDO, TEXAS)

AS OF JUNE 13, 2018

AT THE  
TEXAS ANIMAL HEALTH COMMISSION

**(REPORT NO: TAHC 018-002)**



**MONDAY RUFUS & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS



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Audit Committee  
and Commissioners  
Texas Animal Health Commission  
Austin, Texas

We have conducted an internal audit (audit) of the Region 8 Office (Laredo, 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 June 13, 2018. The results of our tests disclosed that, generally, the region has 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 Rufus & Co., P.C.*

June 13, 2018  
Austin, Texas

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## Executive Summary

There are eight (8) region offices in the Commission's Animal Health Programs. The Region 8 Office (Region) is located in Laredo, Texas and includes the Los Fresnos Tick Office. Region 8 is staffed with 8 full-time employees (FTEs) and 31 temporary employees including the Region Executive Director, a Supervising Inspector, and three support staff. The objective of Region 8 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 imported and exported animals at the border crossings, active livestock auctions, and quarantined stock due to fever tick and other animal diseases. There was one active market in Region 8 as of July 12, 2018. The Region 8 Office also covers a total of 11 counties in the State of Texas. **Appendix 3** shows a list of Region 8 counties. In calendar years 2016 and 2017 a total of 26,661 and 33,992 animals were processed through these livestock markets, respectively. **Appendix 4** provides more detailed information on the livestock markets.

The Region 8 Office Director, who is a veterinarian, is responsible for and oversees all of the activities administered through the Region 8 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 8 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. 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 8 Office utilizes the SCS to provide field operations, epidemiologists, staff, and commissioners with timely and accurate data.

## **Internal Audit Results**

The Region 8 Office has some 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 can be strengthened by updating and reconciling of the personal property inventory in its possession with the Commission's custodian of fixed asset records and ensure timely resolution of any differences or discrepancies.

There were no other deficiencies detected in the audit of the Region 8 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***

*We appreciate the opportunity to address enhancing the existing controls for fixed asset inventory and office supplies.*

*The reconciliation process for fixed access inventory between Regions and the Commission's Central Office custodian of fixed assets has been raised to the level of Agency upper management as it is an issue having broader scope and application than the Laredo Office (formerly known as Region 8 Office) solely. Likewise, enhanced controls for office supplies has been raised to the same level as it is a policy decision impacting the Agency as a whole, not just the Laredo Office. In the interim, we have placed the higher value items (i.e. replacement printer ink cartridges) in more restricted access storage and implemented an inventory sign-out system for those items.*

*Enhancing the accountability of personal inventory property items by ensuring all fixed assets are assigned to specific employees is being addressed through the assignation of unassigned assets to the Staff Services employee headquartered at the USDA-APHIS Webb County Cattle Fever Tick Eradication Office/Yard (referred to above as the Region 8 Webb County location) as appropriate to the type of property (i.e. deer feeders, panel trailers, panels, etc.) Further, a check-out/check-in procedure is being developed for those items and will be administered by Staff Services employee. In regions where large inventories of equipment exist, such as the Laredo region, monthly inventory reconciliations between the region office and the central office would help address the inventory discrepancies.*

## **Objectives, Results, 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.

Program records data entry into the Surveillance Cooperative Services (SCS) data base is being monitored by supervisory management at the Region 8 Office using the Data Accuracy Monitoring Summary reports to ensure the accuracy of the data and that it is being verified by an independent person. Data received is stamped at the point of receipt and on the date the data is entered into the SCS data base. This provides reasonable assurance of proper accountability in the processing of the data being entered.

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

Region 8 has a system in place to ensure that staff activities comply with policies, procedures, laws, and regulations. The Region 8 employees have accessibility to printed and/or intranet copies of the Commission's standard operating policies and procedures manual.

Annual performance evaluations are being conducted by Region 8 management on each employee as required by the Commission's Policies and Procedures manual.

Timely Equal Employment Opportunity (EEO) training is being received by all Region 8 employees as required by the Commission's Policies and Procedures manual.

Region 8 Office has training procedures for new inspectors which include orientation and obtaining needed training by attending available classes given by Texas A&M University and the United States Department of Agriculture (USDA).

Animal entry permits (E-permit) issued by the Program Records Department at the Commission's Central Office and forwarded to the Region 8 Office for field inspectors to verify arrival of animals being moved into the state are being verified by inspectors within 30 days of being issued as required by Texas Administrative Code, Title 4, Part 2 Chapter 51, Rule §51.1.

Weekly Activity Reports are being timely submitted by inspectors and reviewed by the Supervising Inspector. The Supervising Inspector uses the Weekly Activity Reports submitted as a tool to manage the Region 8 inspectors' workloads. Management consistently reviews and monitors the Weekly Reports to ensure that the inspectors field work is properly reported to the appropriate project codes and activity codes.

*Internal Audit Objective 3:* Safeguarding of Assets.

Personal inventory items tested and verified appeared to be properly secured.

**Finding 1: Enhance Controls Over Fixed Asset Inventory and Office Supplies**

Proper internal controls ensure fixed asset records are internally consistent and accurate.

*Condition:*

During the testing of the 22 fixed assets, we noted that each item existed, was properly tagged, in use, not obsolete, in the proper location, and secured. However, one of the items tested (Tag #7997-Dell Power Edge Server SC440 – Serial #283BWG1) had been reported stolen on December 28, 2015, but was still being carried as active in the current fixed asset inventory listing.

The tag number for fixed asset item #55404487 (RS320 Stick Reader, Wand) selected for testing had a different tag number than listed on the personal property inventory listing. The actual fixed asset item's tag number was #55404587.

Some of the fixed asset items on the personal property inventory listing were not assigned to specific Region 8 employees.

- a. Twenty (20) 12 ft. Livestock Panels and a 10 ft. Panel Trailer at the Los Fresnos Tick Office had not been assigned as of June 12, 2018, the last day of our onsite audit work.
- b. Four hundred and fifty (450) Protein (corn) Feeders listed on the inventory had not been assigned to specific Region 8 employee(s) or geographical locations where they are being set up.
- c. The Region 8 Webb County location lacked check-out procedures in the use of fixed assets used by inspectors.

Safeguards for office supplies at the Region 8 Office could be enhanced. Controls were not adequate to prevent misuse and/or fraud with the office supplies available to employees.

Cause:

Internal controls in place over fixed assets and office supplies may not be adequate or functioning consistently as intended by management.

Effect:

Due to the lack of consistency and accurate accounting, fixed assets and/or office supplies may be lost, misplaced, or stolen without proper accountability.

Recommendation:

We recommend that the Region 8 Office update and reconcile the fixed asset inventory in its possession with the Commission's Central Office custodian of fixed assets records and ensure timely resolution of any differences or discrepancies. Accountability of personal inventory property items should be enhanced by ensuring that all fixed assets are assigned to employees of Region 8.

Fixed assets check-out procedures should be developed for the Region 8 Webb County location to ensure that the location of every fixed asset is documented at all times.

Controls for office supplies should be enhanced by documenting or listing when office supplies are taken and employees signing a document. This provides reasonable assurance in preventing misuse and/or fraud.

***Management Response:***

*Thank you for the audit of fixed asset inventory and office supplies. As discussed during the course of the audit and the audit exit interview on June 12, 2018, we appreciate the opportunity to address enhancing the existing controls for fixed asset inventory and office supplies.*

*The reconciliation process for fixed access inventory between Regions and the Commission's Central Office custodian of fixed assets has been raised to the level of Agency upper management as it is an issue having broader scope and application than the Laredo Office (formerly known as Region 8 Office) solely. Likewise, enhanced controls for office supplies has been raised to the same level as it is a policy decision impacting the Agency as a whole, not just the Laredo Office. In the interim, we have placed the higher value items (i.e. replacement printer ink cartridges) in more restricted access storage and implemented an inventory sign-out system for those items.*

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

The Region 8 Office provides each inspector the Commission's Field Operations Manual when hired and given intranet accessibility to the Commission's Policies and Procedures manual.

Field inspectors in Region 8 have an itinerary plan for the week, daily logs, and submit weekly timesheets to the Supervising Inspector in order to monitor and address workloads within the Region 8 counties.

On-going communication is conducted between the Region 8 Office and field inspectors through phone calls, e-mails, or face-to-face. Mandatory inspector meetings are held at times in the Region 8 Office to address animal program issues or concerns.

## **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 8 Office operating policies and procedures. The scope included interviews with Region 8 Office Director, Office staff, and inspectors. 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 8 Office management risk assessment questionnaires were completed related to the Office functions to assist in obtaining information in identifying controls which are in place regarding Region 8 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, rules, and regulations for field offices
  
- List of terminated employees in fiscal year 2017
- List of assigned fixed assets in inventory as of May 31, 2018
- General Appropriation Act (FY 2016-2017)
- Texas Animal Health Commission Website

Procedures and tests conducted included the following:

- Interviewed Commission management and staff to obtain an understanding of the Region 8 Office functions and activities and controls in place.
- Obtained, reviewed, and tested employees' Supervisor Activity 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 for accuracy, reliability, and timing of entry permits (E-permit) information processed and entered into the Commission's Permit Tracker report
- 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 Intranet Policies and Procedures
- 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 created to combat the fever tick that plagued the Texas cattle industry. 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 transmission of 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 has 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

### List of Region 8 Office Counties



### Counties - 11

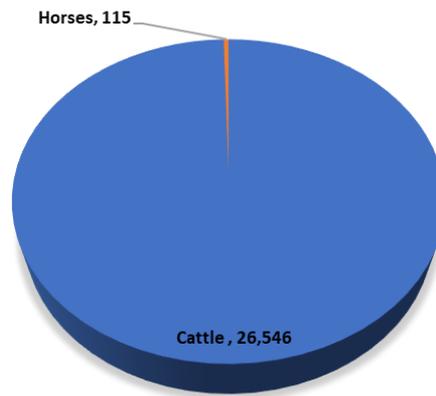
Cameron	Dimmit
Hidalgo	Kinney
Maverick	Starr
Terrell	Val Verde
Willacy	Webb
Zapata	

## Appendix 4

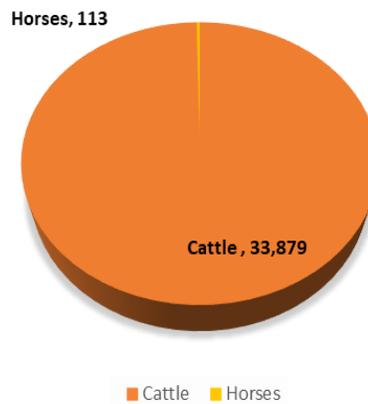
### Summary of Auctions (Unaudited)

	FY 2016	FY 2017	Total
Cattle	26,546	33,879	60,425
Horses	115	113	228
<b>Total</b>	<b>26,661</b>	<b>33,992</b>	<b>60,653</b>

#### FY 2016



#### FY 2017



## 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: Sarah Hicks  
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  
iaordinator@sao.state.tx.us

#### **Sunset Advisory Commission**

Attn: Ken Levine  
Phone: (512) 463-1300  
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#### **Texas Animal Health Commission**

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

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