

INTERNAL AUDIT OF THE
VEHICLE FLEET MANAGEMENT

AS OF JULY 03, 2019

AT THE
TEXAS ANIMAL HEALTH COMMISSION

(REPORT NO: TAHC 019-002)



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Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

We have conducted an internal audit (audit) of the Vehicle Fleet Management (including follow-up: State Auditor's Office (SAO) Audit Report 19-006 on Vehicle Fleet Management relating to Texas Animal Health Commission only) at the Texas Animal Health Commission (Commission) as of July 03, 2019. The results of our audit disclosed that the Commission has implemented some procedures and controls to ensure reliability and integrity of information compliance related to Vehicle Fleet Management.

The report that accompanies this letter summarizes our comments and recommendations, the SAO's original findings current status, and our remarks.

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July 03, 2019
Austin, Texas

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Executive Summary

The Texas Animal Health Commission (TAHC) was founded in 1893 with a mission to address the Texas fever tick problem. Today, TAHC works to protect the health of all Texas livestock, including: cattle, swine, poultry, sheep, goats, equine family animals, exotic livestock.

The Commission's enabling statutes are in Chapters 161 through 168 of the Texas Agriculture Code, Vernon's Annotated Texas Statutes.

Title 4 of the Texas Occupations Code designated the Texas Animal Health Commission (TAHC) as the primary state agency with legislative authority to make and enforce regulations to prevent, control, and eradicate specific infectious animal diseases which endanger livestock.

In order to carry out these duties and responsibilities, the TAHC 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.

For fiscal year 2019 the General Appropriations Act authorized a budget of \$15,107,774 and 220.2 full-time equivalent (FTEs) employees in region offices (including the Cameron County Fever Tick Response and State-Federal Laboratory Austin Office) throughout the State.

The TAHC Staff Services Department (Fleet Management Office) consists of three (3) employees who are responsible for vehicle fleet operations and activities and compliance reporting for the agency. These employees report to the Chief of Staff.

Texas Government Code, Chapter 2171, requires the Office of the Comptroller of Public Accounts Office of Vehicle Fleet Management to develop a management plan with recommendations for improving the administration and operation of the State's vehicle fleet. All vehicles purchased with state funds must comply with the requirements of the management plan.

Summary of Internal Audit Results

The Texas Animal Health Commission has developed a Fleet Management Policy and Procedures Manual (effective 11/09/2018) which contains written policies and procedures to comply with the Texas State Vehicle Fleet Management Plan (TSVFMP) developed by the Comptroller of Public Accounts Office of Vehicle Fleet Management (OVFM). The TAHC Fleet Management Policy and Procedures Manual is in the agency's intranet and used by all statewide employees assigned TAHC vehicles to record and submit their monthly vehicle activities, such as fuel, maintenance, and repairs electronically using the Work/Fleet/Travel (WFT) document.

The Staff Services/Fleet Management Office (FMO) maintains the agency's vehicle inventory and must approve all repairs and maintenance before any work is performed on a vehicle. The FMO and agency Finance and Procurement Department (FPD) reconcile all monthly vehicle activity to ensure that all vehicle costs are accurate and vehicle records are current. FMO staff will input all monthly fleet vehicle costs and activities required by the TSVFMP and Government Codes 2158, 2171, and 2175 into the Texas Fleet System (TxFS), which is the state's centralized repository and official record for vehicle fleet data maintained by the Comptroller of Public Accounts OVFM. The TAHC can access the information inputted into the TxFS and can generate required fleet reports.

Appendix 1 on page 8 summarizes and provides the status and steps taken by management of the Commission to the SAO's Audit Report Number 19-006 (October 2018) audit recommendations.

There were no deficiencies detected in the audit of the Vehicle Fleet Management (including follow-up: State Auditor's Office (SAO) Audit Report 19-006 on Vehicle Fleet Management relating to Texas Animal Health Commission only) that are significant to the objectives of this audit. Any insignificant issues noted have been communicated to the management of the TAHC as required by Government Auditing Standards.

Objectives, Observations, 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. Efficiency and Effectiveness of Operating Procedures
4. Safeguarding of Assets

RESULTS AND RECOMMENDATIONS

Internal Audit Objective 1: Reliability and Integrity of Information

- The TAHC's intranet is used by statewide agency personnel assigned vehicles to input monthly vehicle fleet activity and costs information.
- All information received regarding vehicle costs must be approved by FMO management, reported into the TxFS data base, entered into the Finance and Procurement Department's accounting system (Centralized Accounting Payroll/Personnel System – CAPPs) where the costs are paid using the fixed assets module.
- TAHC FMO personnel have direct access to the Comptroller of Public Accounts TxFS information and can also access inputted TAHC vehicle fleet report information.
- The Director of Staff Services/Safety Officer is responsible for the TAHC vehicle fleet.
- The auditor obtained the latest TAHC vehicle fleet inventory printout (May 31, 2019) from the FMO to test and ensure that all vehicles which had been purchased and received by the agency were included in the vehicle fleet inventory system and that purchased vehicles which had not been received were not included in the vehicle fleet inventory. Our testing showed that all 34 (33 trucks, 1 SUV) vehicles which had been purchased in fiscal years 2018 and early 2019 had been received and were included in the May 31, 2019 inventory. Additionally, 6 vehicles (trucks) recently purchased in fiscal year 2019 were not included in the vehicle fleet inventory since TAHC has not received them yet or taken possession of them.

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

- The Texas Animal Health Commission has developed the TAHC Fleet Management Policy and Procedures Manual (Effective 11/09/2018) which contains written policies and procedures to comply with the Texas State Vehicle Fleet Management Plan developed by the Comptroller of Public Accounts Office of Vehicle Fleet Management (OVFM). The TAHC Fleet Management Policy and Procedures Manual also includes five (5) forms designed to ensure all required statewide vehicle activity is reported. The five forms are listed below:
 1. Vehicle Status Evaluation
 2. Fleet Needs Evaluation
 3. Fleet Right Sizing Evaluation
 4. Fleet Assessment Report
 5. Fleet Repair Approval

- TAHC conducted a statewide Fleet Needs Evaluation by performing a vehicle status evaluation of each vehicle in the agency's statewide regions in December 2018 thru February 2019. (Forms 19-07/08)
- TAHC prepared a Fleet Right Sizing Evaluation (Form 19-09) in January 2019. The agency had 108 active vehicles and currently has a Fleet Cap of 130 vehicles.
- A Fleet Assessment Report (Form 19-10) was completed and signed by the agency Executive Director on 02/15/2019. The report details the fleet needs, vehicle reassignments, vehicle disposals, and recommended purchases.
- TAHC is required to collect and input vehicle information in the Texas Fleet System (TxFS) in accordance with Government Code 2171.101. TxFS serves as the state's official record of state vehicle data. TAHC has access to information being inputted into the TxFS and can generate monthly fleet reports from the data and monitor their vehicle fleet activity. (Section 2171.101 requires quarterly report information to be submitted no earlier than 45 days after the close of each quarter or 60 days after the close of the quarter.)
- In the development of the TAHC Fleet Management Policy and Procedures Manual the agency has adopted rules consistent with the Texas State Vehicle Fleet Management Plan (TSVFM).
- TAHC only has 2 vehicles in the Motor Pool which have to be reserved ahead of time for use by agency personnel. No Motor Pool vehicles are assigned to executive or management personnel.
- The Texas Comptroller of Public Accounts Statewide Procurement Division (SPD) conducted a semi-annual vehicle use review at TAHC in accordance with Texas Code Section 2171.05 of the Texas State Vehicle Fleet Management Plan for the period of September 2016 thru May 2017 regarding compliance with vehicles minimum mileage target of 10,000 miles annually. The OVFM review resulted in the TAHC obtaining a waiver for the TAHC State/Federal Lab vehicle which was determined to be unique in its functions in transporting animal lab samples and other lab materials.

Internal Audit Objective 3: Efficiency and Effectiveness of Operating Procedures

- Prior to purchasing vehicles, the agency conducts a statewide Fleet Assessment Report involving all the TAHC statewide regions in order to determine where the vehicle needs are in the state.
- Personnel involved in the vehicle fleet personnel processing have experience and are knowledgeable in the performance of their duties.
- Both TAHC and the Comptroller of Public Accounts OVFM have access to the same vehicle information in the Texas Fleet System so that each entity may generate vehicle information reports as needed.

Internal Audit Objective 4: Safeguarding of Assets

- The TAHC FMO and FPD reconcile vehicle fleet costs and maintenance activity reports which are reviewed and approved by the Director of Staff Services/Fleet Management Office.
- The Commission conducted a statewide Vehicle Status Evaluation on all fleet vehicles during January 2019 and February 2019. Fourteen (14) fleet vehicles tested by the auditors in the Vehicle Fleet met the required replacement criteria by being in service 9 and 10 years. The age and mileage is in compliance with the requirement of evaluating passenger vehicles for replacement after they are 9 years old and have accrued

100,000 miles, and cargo vehicles being evaluated for replacement after they reach 10 years of service and have accrued 110,000 miles.

- The auditors tested and obtained supporting documentation for one (1) truck sold on 02/27/2019 through the Texas Facilities Commission - Vehicles Lot Sales through Lone Star Auctioneers, Inc. Two (2) other TAHC trucks are currently pending disposal and are listed as such.
- TAHC considers vehicle purchase price, vehicle statewide uses, and whether it is more feasible to purchase than renting or leasing vehicles in accomplishing the agency's mission.
- TAHC has the 85th Legislative Session's approval for Transportation Fleet Vehicle Acquisition - General Revenue Capital Expenditure of \$240,000 for FY 2019. No approved exceptions. Vehicles purchased are to replace vehicles being disposed of, and not to increase agency vehicle numbers or exceed the vehicle cap.
- The auditors reviewed Vehicle Fleet inventory system to ensure that the 33 vehicles purchased in FY 2018 and one purchased in 2019 (Tahoe) which had been received by TAHC were included in the current vehicle fleet inventory of May 31, 2019. Also, documents were tested for 6 vehicles purchased in fiscal year 2019 which have not been received to ensure the agency has not included them in the vehicle fleet inventory or the TxFS data.
- The auditors met and communicated with personnel from the TAHC Staff Services Fleet Management Office, Finance and Procurement Department, and Comptroller of Public Accounts Office of Vehicle Fleet Management (OVFM) Statewide Procurement Division (SPD) to determine if TAHC is submitting accurate and timely vehicle information in the TxFS. In both TAHC and OVFM having daily access to the TxFS vehicle information being submitted, vehicle issues that arise are being addressed more timely.
- The auditors tested vehicle information being submitted by TAHC regional employees with assigned vehicles to the FMO and FPD to ensure the accuracy and timeliness of vehicle information being processed and reported to TxFS. After the information is processed and reconciled between the FMO and FPD, the vehicle information system is uploaded into the TAHC server where it is kept for the life of the vehicle and ensure that it is maintained to comply with the State's record retention policy for capital assets.

Appendix 1

Entity: Texas Animal Health Commission
Project: Follow-up on SAO's Audit Report 19-006 (October 2018) on Vehicle Fleet Management
Relating to Texas Animal Health Commission Only
FISCAL YEAR: 2019

PRIOR FINDINGS/RECOMMENDATIONS (Issued by SAO Auditors)	CURRENT STATUS	AUDITOR'S REMARKS
<p>Chapter 3-A: While TAHC Performed Some Activities Required by the State Fleet Plan, It Did Not Document an Annual Fleet Assessment as Required</p> <p>TAHC asserted that it conducted an annual fleet assessment meeting for fiscal year 2017 attended by its executive management and fleet management; however, it did not document that meeting occurred or document the results of an assessment.</p> <p>The State Fleet Plan requires state agencies with vehicle fleets to perform the following activities as part of a new vehicle requirement/replacement analysis: (1) perform a vehicle replacement evaluation, (2) conduct fleet right sizing evaluation (to determine the appropriate fleet size and composition), and (3) develop a fleet assessment report. While TAHC performed a documented rightsizing evaluation in fiscal year 2017, it did not have documentation showing that it performed a vehicle replacement evaluation and did not have a documented fleet assessment report.</p> <p>Not conducting a vehicle replacement evaluation and developing a documented fleet assessment report increases the risk that TAHC would not appropriately manage its vehicle fleet and that it could dispose of vehicles that should be retained and/or purchase vehicles that do not meet the agency's needs.</p> <p>TAHC did have some controls in place over the disposal and purchase of vehicles. Specifically:</p> <ul style="list-style-type: none"> ▪ TAHC had a documented vehicle replacement policy that contains criteria for evaluating vehicles to be replaced based on vehicle mileage, age, and condition that is consistent with the recommendations in the State Fleet Plan. In addition, all five vehicles tested that TAHC disposed in fiscal years 2017 and 2018 complied with its policy. ▪ TAHC documented its need for increasing its fleet size prior to requesting and procuring additional vehicles. 		

Its fleet right sizing evaluation documented a need for adding vehicles to its fleet. In addition, TAHC submitted a request in fiscal year 2017 to the Office of the Comptroller of Public Accounts to increase its fleet cap by 34 vehicles to a total of 130 vehicles. Both TAHC purchase orders auditors reviewed—one for a purchase of 6 vehicles in fiscal year 2017 and the other for a purchase of 33 vehicles in fiscal year 2018—had documented approvals by TAHC’s staff services director as required by the agency’s policy.

However, TAHC did not have a documented process for approving maintenance and repairs to verify that the costs are appropriate for the age and condition of the vehicle. TAHC asserted that its director of support services is required to review and approve all maintenance and repair costs; however, that approval requirement is not documented, and TAHC did not have any documentation showing that those costs were approved. The lack of documented processes, including approval requirements, increases the risk that the TAHC may make unapproved or inappropriate vehicle repairs.

In addition, while TAHC had a documented vehicle use and safety policy that required vehicle maintenance and repair receipts be submitted prior to payment, it did not ensure that its vehicle custodians consistently complied with that policy. Specifically, for 5 (8 percent) of 64 maintenance and repair expenses tested, TAHC did not have receipts supporting the costs paid. Not ensuring that receipts are submitted and retained increases the risk that the authorized maintenance and repair costs will not be sufficiently monitored or considered when assessing the agency’s vehicle fleet needs.

The TAHC also did not have a policy it considers as its Fleet Vehicle Management Plan. Not having this plan in place increases the risk that it will enter inaccurate and incomplete information into the statewide systems.

Recommendation:

TAHC should:

- Develop a *Fleet Vehicle Management Plan*.
- Comply with the State Fleet Plan by documenting the results of its *fleet assessment* and *fleet right sizing evaluation* in a fleet assessment report.
- Develop and implement a documented process for reviewing and approving *vehicle maintenance and repairs*

Chapter 3-A

The TAHC has developed a Fleet Management Policy and Procedures Manual (Effective 11/09/2018) to comply with the Texas State Vehicle Fleet Management Plan (TSVFMP) administered by the Comptroller of Public Accounts Office of Vehicle Fleet Management (OVFM). The TAHC Fleet Management Policy and Procedures Manual is in the agency’s intranet for all agency employees assigned, or driving an agency vehicle, to access and comply with TAHC and OVFM guidelines.

to verify that the repairs and costs are appropriate.

- Verify that receipts are submitted prior to payment for all maintenance and repair costs and retain those receipts to ensure that it can consider all costs when assessing its vehicle fleet needs.

Management's Response:

Division(s)/Individual(s) responsible for agency action due to recommendation:

Staff Services (SS)

Estimated date of resolution of recommendation:

November 1, 2018

Brief summary of actions taken to ensure compliance:

The agency concurs with the SAO's findings.

- *The TAHC is currently developing a Fleet Management Plan to comply with the Texas State Vehicle Fleet Management Plan (2016). This plan will provide instruction to staff assigned a vehicle on what is expected in relation to the fleet. The plan will be distributed to the all agency staff and stored on the agency's "Intranet" so that it can be referenced at all times.*

- *Though the TAHC did conduct an annual fleet assessment meeting, attended by all necessary parties including executive management, it was not documented. The new TAHC Fleet Management Plan will require the Fleet Manager to document this meeting and all assessments made. The annual fleet assessment meeting minutes will be electronically maintained in accordance with the records retention schedule.*

- *The TAHC will also develop a new "Repair Approval" form to document all requests and approvals for fleet vehicle repairs. This form will be reviewed and signed by the Fleet Manager or his/her designee before repairs are authorized. Factors that will be assessed before repairs are approved will be the age of the vehicle, its intended use, and the overall condition of the vehicle. Staff assigned a fleet vehicle will not be allowed to make repairs until this form has been reviewed and signed by the appropriate signature authority. The approval forms*

TAHC has developed four (4) new forms designed to ensure that TAHC documented the results of the statewide vehicle fleet assessment conducted in January and February of 2019. The internal auditors obtained, reviewed, and tested the statewide vehicles assessed to the TAHC Fleet Management Office vehicle fleet inventory. Below is a list of the vehicle assessment forms and their purpose.

Vehicle Status Evaluation (Form 19-07):
All supervisors evaluate their fleet vehicles to determine their current condition so that a recommendation can be provided. Fleet Management follows up with a final decision on each vehicle.

Fleet Needs Evaluation (Form 19-08):
Supervisors evaluate their fleet to determine if the quantity and types of vehicles, currently deployed in the fleet, are meeting their region's needs.

Fleet Right Sizing Evaluation (Form 19-09)
Helps determine the appropriate fleet size and composition.

Fleet Assessment Report (19-10):
Documents findings derived from the Vehicle Needs Evaluation and Right Sizing Evaluation in a report. The report should outline recommendations for replacement, realignment or disposal of existing agency fleet vehicles and identifies if there is a need for new fleet vehicles.

TAHC has developed and implemented a *Fleet Repair Approval (Form 19-04)*. This form documents all repair approvals or denials for fleet vehicles. Vehicle drivers are required to get approval from Fleet Management Office management before any maintenance or repairs are performed on a vehicle. The Fleet Repair Approval form was designed so that TAHC management can verify that costs are appropriate for the age and condition of the vehicle. Drivers are required to upload the repair receipt into the Work/Fleet/Travel system along with the "Repair Approval Form" to show that the repair was properly approved or denied. The auditors selected and tested five Fleet Repair Approval Forms from five TAHC regions. Of the five forms tested 4 were

will be audited monthly by the Fleet Manager or his/her designee. The TAHC has an online system (Work, Fleet, Travel or "WFT") that tracks fleet movement, maintenance, repair costs, and fuel expenses. This approval form will be stored in the maintenance records stored on the WFT system and will be maintained in accordance with the records retention schedule.

approved and 1 denied by FMO management. The 4 repair forms that were approved had copies of the repair estimates, payment receipts, and recorded in the Fleet System and Financial Services Department's vehicle costs reports and payment vouchers.

All vehicle maintenance and repairs are now being submitted to the TAHC Staff Services/Fleet Management Office for approval prior to having any work performed on a vehicle.

The Work/Fleet/Travel (WFT) document is being used by TAHC employees statewide to ensure that all vehicle use information required by state law and agency policy is uploaded into the WFT system. During testing of the selected Repair Approval Forms, the auditors traced the approved maintenance and repairs receipt/invoices amounts to the Finance Services Department's Fleet Expenses Report, Maintenance/Repairs accounts, CAPPS Purchase Vouchers, and Transaction Detail Report for each vehicle.

Chapter 3-B: TAHC Did Not Report Vehicle Fleet Information to TxFS as Required

TAHC had processes to collect the necessary vehicle details to report to TxFS as required by the State Fleet Plan; however, those processes were not sufficient to ensure that they reported accurate and timely data to TxFS. TAHC did not always report accurate or timely vehicle information to TxFS, and it did not always maintain support for key information that it reported in TxFS. Reporting inaccurate data to TxFS could result in inaccurate statewide reports.

TAHC reported to TxFS all six vehicles it received since September 2016. However, for those six vehicles, TAHC inaccurately reported the receipt date by 20 days in TxFS because it reported the day it entered the vehicles' information into TxFS rather than date it received the vehicles.

In addition, TAHC reported inaccurate or unsupported data in one or more key fields for 16 (70 percent) of 23 active and recently disposed vehicle records tested. Specifically, of the 23 vehicle records tested:

- For 9 (39 percent) vehicles, TAHC did not retain documentation supporting the vehicles’ reported acquisition information. TAHC policy requires capital asset records to be maintained for the life of the asset plus three years. However, TAHC treated acquisition records—including purchase orders and invoices—as purchasing records, which have a shorter records retention requirement. In addition, TAHC did not maintain other vehicle documents such as certificates of origin, receiving reports, or title documents.
- For 8 (35 percent) vehicles, TAHC did not update usage data. Three vehicles’ mileage had not been updated for at least five months, four had not been updated for at least two months, and one vehicle’s usage data was inaccurate. The State Fleet Plan requires usage data to be updated on at least a quarterly basis.
- For 4 (17 percent) vehicles, TAHC had not reported significant maintenance and repair costs to TxFS.
- For 2 (9 percent) vehicles, TAHC reported inaccurate or unsupported vehicle class (descriptive) information.

In addition, TAHC did not report the disposals in TxFS within the required timeframes. The State Fleet Plan requires disposals to be reported no later than 60 days after the fiscal quarter in which the disposal occurred. TAHC had not reported the disposals for 7 (7 percent) of 96 vehicles in TxFS. Those 7 disposals ranged from 116 to 300 days late. After auditors informed TAHC about the issue, it updated the information in TxFS. TAHC’s policies do not address reporting vehicle information to TxFS, including vehicle disposals and maintenance and repair costs.

Recommendation:

TAHC should:

- Establish a process to comply with the State Fleet Plan by ensuring that vehicle data is reported to TxFS accurately and in a timely manner.
- Strengthen controls over its records retention policies

Chapter 3-B

The Fleet Management Office personnel perform weekly reviews of the TAHC Work/Fleet/Travel system documents to ensure that the agency’s required vehicle data is accurate and being timely reported into TxFS. The Fleet Management Office reviews all vehicle information received for each vehicle and reconciles the vehicle data with the Financial Services Department information on vehicle costs paid. The auditors selected a sample of four (4) vehicles from the TAHC regions which had approved repairs performed. The auditors traced the repair costs to the Fleet Approval Forms, repair estimate, and

to ensure that it complies with the State's record retention policy requirements for capital assets.

Management's Response:

Division(s)/Individual(s) responsible for agency action due to recommendation:

Staff Services (SS)

Estimated date of resolution of recommendation:
November 1, 2018

Brief summary of actions taken to ensure compliance:
The agency concurs with the SAO's findings.

- *The TAHC's Fleet Manager and staff will review all entries made into the TxFleet System on a monthly basis to improve accuracy. Furthermore, when assets are entered or deleted from the system, a secondary staff member will verify information entered. This will ensure that all required fields are accurate and correspond with other systems (CAPPs, SPA, WFT, etc.). This process will result in TAHC's compliance with the State Fleet Plan.*
- *The TAHC will update its fleet policy to ensure that capital asset information is captured and maintained to comply with the State's record retention policy for capital assets.*

Chapter 3-C: TAHC Did Not Consistently Report Accurate Vehicle Fleet Information to SPA as Required

TAHC did not always report accurate vehicle information to SPA, and it did not always maintain support for key information in SPA, as required by the *SPA Process User's Guide*. It also reported inaccurate or unsupported data in key fields for 27 (93 percent) of 29 vehicle records tested. Specifically:

- For 18 (62 percent) of 29 vehicle records tested, TAHC reported inaccurate or unsupported acquisition costs.

receipt documents which had been uploaded to the WFT system. The vehicles were traced to the Fleet Inventory TxFS ID Numbers. The auditors also traced each vehicle repair payment to the Financial Services Department's Transaction Detail Report for each vehicle.

TAHC has included records retention policies for its capital assets in the Fleet Management Policy and Procedures Manual for its vehicle fleet inventory. Once a purchased vehicle is delivered and accepted at Austin Headquarters all required vehicle information is documented into the TxFS and appropriate asset information will be filed in accordance with the state's Records Retention Schedule. The Fleet Management Office also uploads all information regarding fleet vehicle costs, receipts, and other necessary information into the agency's IT server so that all information is retained for the entire life of each vehicle.

For 6 of those 18 vehicles, TAHC reported leased vehicles as operating leases instead of capital leases; it did not retain vehicle records as required for the other 12 vehicles. In addition, TAHC reported different acquisition costs in SPA and TxFS for 13 (14 percent) of its population of 96 active and recently disposed vehicles. Having inaccurate acquisition costs could result in incorrect depreciation expenses in SPA.

- For 14 (48 percent) of 29 vehicle records tested, TAHC reported inaccurate or unsupported asset class codes. In addition, TAHC reported different asset class codes in SPA and TxFS for 68 (71 percent) of its population of 96 active and recently disposed vehicles in SPA and TxFS. TAHC asserted that its process to report asset information to SPA does not include steps to provide TAHC's asset managers sufficient vehicle information needed to accurately report the asset class code in SPA. Reporting inaccurate asset class codes could result in TAHC using the wrong depreciation schedule and reporting inaccurate depreciation information.

Although TAHC's records retention policy requires that capital asset records be maintained for the life of the asset plus three years, TAHC treated acquisition records—including purchase orders and invoices—as purchasing support, which has a shorter records retention requirement. This resulted in the agency not having support for all of the vehicles tested, as discussed in chapter 3-B.

Reporting incorrect asset class codes and acquisition costs in SPA could affect TAHC's and the State's financial reporting.

Recommendations

TAHC should:

- *Establish controls to ensure that sufficient vehicle information* is available to individuals tasked with reporting assets to SPA.
- *Report accurate acquisition prices* for leased and purchased vehicles in SPA.
- *Report all leases accurately.*
- *Establish records retention controls* for capital assets

Chapter 3-C

I

TAHC currently uses the state's Centralized Accounting Payroll/Personnel System (CAPPS) which integrates the Asset Management portion of CAPPS with the State Property Accounting System (SPA). Purchased vehicles are reported in the vehicle inventory only when received by the agency. When a vehicle is received, the FMO inventory personnel input the vehicle asset required information once into

that adhere to its record retention policy.

Management's Response:

Division(s)/Individual(s) responsible for agency action due to recommendation:

Staff Services (SS)

Estimated date of resolution of recommendation:

November 1, 2018

Brief summary of actions taken to ensure compliance:

The agency concurs with the all the SAO's findings.

▪ *The TAHC has been using the state's Centralized Accounting Payroll/Personnel System (CAPPS) as of 2017. This system integrates our Asset Management portion of CAPPS with the State Property Accounting System (SPA). Inventory personnel only input asset information once when receiving items in CAPPS; including asset class codes. This alleviates data entry redundancies that previously existed, greatly reducing the possibility of data inconsistency. Since fleet paperwork will be uploaded onto the fleet information server under the asset tag numbers, the Inventory Specialist will have all necessary information for receiving the assets, which is contrary to how the information was previously recorded. Once all items have been received, the Fleet Manager will review all fleet information in CAPPS for accuracy and make any necessary edits. This change in process will ensure that data requirements listed in the Texas State Vehicle Fleet Management Plan are met.*

▪ *The CAPPS system syncs with SPA daily. Accounting information will now be automatically captured into SPA from TAHC's financial department. The Inventory Specialist or Fleet Manager will verify each asset's financial information once it is received. This will ensure the agency's asset information is accurate.*

▪ *The TAHC does not anticipate leasing vehicles again. However, if the agency leases fleet assets again, the Inventory Specialist will make sure that lease information is reported properly. The Director of Staff Services will perform a second review to ensure lease information is in compliance with the Texas State Vehicle Fleet Management Plan.*

CAPPS, input required TSVFMP information into the TxFS, and file appropriate asset information in accordance with the state's Record Retention Schedule.

The Fleet Management Office Manager reviews and reconciles vehicle fleet information between the FMO vehicle inventory reports and the Financial Services Department's CAPPS vehicle costs records to ensure accuracy in the purchases of vehicles. The auditors traced the purchase of six (6) vehicles in fiscal year 2019 to the FMO vehicle fleet inventory reports information and to the Financial Services Department's fleet vehicles costs reports. Only one of the vehicles purchased had been received and added to the vehicle inventory. Management indicate other 5 vehicles would be added to the agency vehicle inventory when the are received, inspected and accepted by FMO management. Currently, the TAHC is not leasing any vehicles, based on the information obtained from the agency.

As mentioned above TAHC does not lease any vehicles. (Not Applicable)

TAHC Financial Services Department uses the Asset Management portion of CAPPS which integrates with the State Property Accounting System (SPA) on a daily basis. When a purchased vehicle is received, the FMO inventory personnel input the vehicle asset information once into CAPPS, and file appropriate asset information in accordance with the state's Record Retention Schedule. All vehicles and related costs are stored in the TAHC data server for the life of the vehicle.

▪ *The Staff Services Department will develop an electronic storage database that captures all the acquisition/deletion records for all capital assets as required by the record retention policy. Until such system is developed, these records will be maintained in a manual filing system. WFT system is designed to be an expense and time tracker for agency personnel. This WFT system has the capability to store more information onto the server and therefore the agency will further utilize this system to capture maintenance and expenses associated with each capital asset.*

I = Implemented

P = Partially Implemented

N = Not Implemented

Appendix 2

Objective and Scope

Objective

The audit objectives are to determine the following:

- Reliability and Integrity of Information
- Compliance with policies, procedures, laws and regulations
- Efficiency and Effectiveness of Operating Procedures
- Safeguarding of assets

Scope

The scope of the audit work included ensuring compliance with the Comptroller of Public Accounts Texas State Vehicle Fleet Management Plan (TSVFMP), Government Codes, Texas Animal Health Commission Fleet Management Policy and Procedures Manual, and corrective actions taken by the TAHC on the State Auditor's Office audit report dated October 2018. The scope included interviews with the Staff Services Department Manager, Fleet Management Office staff, and Finance and Procurement Department management. Vehicle inventory reports, employee vehicle activities reporting forms, TAHC Management Policy and Procedures Manual, vehicle activity records, costs invoices, Finance and Procurement Department vehicle costs reports and CAPP payment vouchers, and other pertinent reports and documents were tested for accuracy and compliance.

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

Information collected and reviewed included the following:

- List of TAHC vehicle inventory as of the audit engagement date.
- List of TAHC staff overseeing the agency's vehicle fleet compliance with the Office of Vehicle Fleet Management (OVFM) and state and federal regulations
- TAHC Fleet Management Policy and Procedures Manual (11/09/2018)
- Fleet Management Office vehicle transactions (e.g. sales, transfers, salvage, ..) supporting documents,
- Vehicle activity printouts (by driver, by vehicle)

- Finance and Procurement Department vehicle database information (e.g. costs paid per vehicle, payment records)
- Texas Animal Health Commission Website
- SAO Report Number 19-006 (October 2018): Vehicle Fleet Management at Selected State Entities
- Agency appropriations Fiscal Years 2018-2019
-

Procedures and tests conducted included the following:

- Interviewed Staff Services / Fleet Management Office Manager and personnel to obtain an understanding of the vehicle fleet functions, activities, and controls in place.
- Interviewed the Fleet Management Office personnel to obtain an understanding of the vehicle fleet policies and procedures, functions, activities, and controls in place.
- Reviewed the Comptroller of Public Accounts Texas State Vehicle Fleet Management Plan requirements.
- Reviewed Government Codes 2158, 2171, 2175 vehicle fleet requirements
- Obtained understanding of the TAHC Fleet Management System vehicle reporting database
- Reviewed agency vehicle reporting requirements for the Texas Fleet System of the OVFM.
- Obtained understanding of the TAHC Finance and Procurement Department vehicle fleet costs reporting system.
- Tested for compliance with the TSVFMP and Government Codes requirements
- Tested for accuracy and completeness of reporting, approval, and payment of vehicle costs
- Tested for compliance with timely TxFS required vehicle data reporting
- Other pertinent reports and documents

Criteria Used included the following:

- Texas Animal Health Commission Fleet Management Policy and Procedures Manual (11/09/2018)
- Comptroller of Public Accounts Texas State Vehicle Fleet Management Plan
- Comptroller of Public Accounts Statewide Procurement Division - Texas Fleet System
- State Government Codes 2158, 2171, 2175
- General Appropriation Act 2018-2019 Transportation Fleet Vehicle Acquisition
- State Auditor's Office Report 19-006 (October 2018)

- Texas Animal Health Commission 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 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 2019 the Commission had an authorized workforce of 220.2 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 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

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Legislative Budget Board

Attn: Julie Ivie
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State Auditor's Office

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Texas Animal Health Commission Management

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