

TEXAS ANIMAL HEALTH COMMISSION



INTERNAL AUDIT PLAN - FISCAL YEARS 2019 - 2020

MONDAY RUFUS & CO., P.C.
Certified Public Accountants & Advisors
1508 Dessau Ridge Ln., Ste 405, Austin, TX 78754

TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

MONDAY RUFUS & CO., P.C.
Certified Public Accountants & Advisors
Member: American Institute of Certified Public Accountants

November 13, 2018

Audit Committee
and Commissioners
Texas Animal Health Commission
Austin, Texas

Dear Commissioners:

As required by the Internal Auditing Act (Texas Government Code, Section 2102.008), we have prepared the audit plan for fiscal years 2019 and 2020.

We prepared a risk assessment to determine the areas in the Texas Animal Health Commission that should be considered for audit. Based on that risk assessment, the following areas are recommended for audit in Fiscal Years 2019 and 2020, respectively:

<u>Fiscal Year 2019</u>	<u>Estimated Hours</u>
Beeville Region Office (Beeville, TX)	180
Performance Measures Reporting	165
Vehicle Fleet Management (including follow-up: SAO's Audit Report 19-006 on Vehicle Fleet Management relating to Texas Animal Health Commission only)	175
Other Internal Audit Activities (Internal Audit Risk Assessment & Audit Plan, Annual Internal Audit Report, & Meetings)	60
Total Hours	<u>580</u>

<u>Fiscal Year 2020</u>	<u>Estimated Hours</u>
Cash Disbursements (including follow-up: Comptroller's Post-Payment Audit Recommendations, dated August 1, 2018)	175
Open Record Requests	100
Lampasas Region Office (Lampasas, TX)	150
Follow-up on Prior Internal Audit Recommendations (FY 2018)	100
Other Internal Audit Activities (Internal Audit Risk Assessment & Audit Plan, Annual Internal Audit Report, & Meetings)	60
Total Hours	<u>585</u>

TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

Your approval of the areas above will enable us to commence audit activities for fiscal years 2019 and 2020.

Sincerely,



Monday N. Rufus, CISA, CPA
Audit Director
MONDAY RUFUS & CO., P.C., CPAs

CC: 1. Dr. Andy Schwartz, D.V.M., Executive Director
 2. Dr. Angela Daniels, Assistant Executive Director, Animal Programs
 3. Gene Snelson, General Counsel/Chief Audit Executive
 4. Larissa Schmidt, Chief of Staff

TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

Table of Contents

	<u>Page</u>
Purpose	4
Background Information	4
Internal Audit Methodology	8
Internal Audit Plan	11
Reporting	12
Appendix A: Organizational Chart	13
Appendix B: Risk Assessment Summary	14

TEXAS ANIMAL HEALTH COMMISSION

Internal Audit Plan – Fiscal Years 2019 - 2020

I. Purpose

The Purpose of this internal audit plan is to document the development, risk assessment, scope of assignments and implementation timetable for fiscal years 2019 and 2020 internal audit activities. This document will serve as a primary tool to carry out internal audit responsibilities in an efficient manner and prioritize the audit areas based on risk assessments agreed to by the Commissioners of the Texas Animal Health Commission (TAHC). Due to the nature, scope and timing of audit procedures contemplated here, planning for specific aspects of the audits is a continuing process. Accordingly, the plan will be revised as necessary and reviewed at least annually.

This plan has been prepared to meet planning guidelines as required by both generally accepted auditing standards and conforms to the *International Standards for the Professional Practice of Internal Auditing* as determined by the Institute of Internal Auditors, Inc.

II. Background Information

In 1893 the Texas Legislature established the Texas Livestock Sanitary Commission to fight the tick fever epidemic which threatened to cripple the economic viability of the state's cattle industry. In 1959 the agency was renamed the Texas Animal Health Commission (TAHC). The Legislature has been increasing the agency's animal health responsibilities beyond cattle and today the TAHC's key functions in addressing diseases and parasites in animals and emergency management are:

- Prevention
- Surveillance
- Diagnosis
- Control
- Eradication
- Emergency Management/Homeland Security

The TAHC, as a livestock and poultry health agency, also provides services to key groups which include:

- Private practice veterinarians
- Cattle producers/feeders
- Poultry producers
- Swine producers
- Exotic livestock and fowl producers
- Auction markets,
- Livestock shows and rodeos
- Stakeholders organizations
- Equestrian
- Non-profit response organizations
- Local governments

The TAHC and the United States Department of Agriculture (USDA) work together in a cooperative relationship for most disease surveillance, animal health, and emergency response programs.

TEXAS ANIMAL HEALTH COMMISSION

Internal Audit Plan – Fiscal Years 2019 - 2020

The Texas Animal Health 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 as 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 TAHC 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.

Administration of the TAHC's programs is handled at the Austin central office. The TAHC is divided into six "regions", each with a regional office managed by a veterinarian. TAHC and its USDA APHIS Veterinary Services (VS) partners are responsible for ensuring that Texas meets animal disease prevention, surveillance, control, and eradication standards.

Thirteen Commissioners are appointed by the Governor to serve for six-year terms. Representing all segments of the livestock industry and the public, to ensure industry representation by the Commission, one member, qualified by experience, must be from each of the following fields: (1) practitioner of veterinary medicine; (2) dairy industry; (3) cattle industry; (4) hog industry; (5) sheep or goat industry; (6) poultry industry; (7) feed-lot industry; (8) equine industry; (9) livestock marketing industry; and (10) exotic livestock industry. The three remaining members represent the general public. The Governor designates the Chair.

The Commissioners appoint an Executive Director who supervises the TAHC's activities. The Executive Director also serves as the chief veterinarian of the state of Texas and works in concert with the Commissioners, animal producers, and allied industry groups to oversee Texas livestock and poultry regulatory functions to ensure that agency business is conducted in a responsive, cooperative, and transparent manner.

The TAHC's operating budget is prepared and approved by the Commission 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 Agency is divided into three divisions. The three operating divisions are the Animal Health Programs Division, the Laboratory System, and Administrative Division, all of which report directly to the Executive Director. The Executive Division, which is headed by the Executive Director, is comprised of Legal and Compliance, Public Information, and Governmental/Industry Relations.

The TAHC is funded by a combination of state general revenue funds, federal funds (USDA), and fee based revenue. For fiscal years 2018 and 2019, the TAHC has an authorized workforce of 220 full-time equivalent employees (FTEs), respectively. The number of TAHC staff is comprised of field

TEXAS ANIMAL HEALTH COMMISSION

Internal Audit Plan – Fiscal Years 2019 - 2020

inspectors, veterinarians, veterinary epidemiologists, laboratory personnel, emergency management planners, field investigators and administrative staff.

A. Divisional Information

- i. **Administrative**– The Administrative Division is responsible for all support activities for the Agency. It includes the Finance and Procurement Services, Information Technology, Human Resources, and Staff Services/Fleet Management. The Director of Administration oversees these functions.

The Financial Services Department manages the budget and accounting, and payroll functions of the Agency. This department is also responsible for financial reporting such as the Annual Financial Report and the Legislative Appropriations Request.

The Information Technology Department supports all hardware and software necessary for the day-to-day activities of the Agency. This Department is also responsible for developing and maintaining the Agency's network, database, and web site.

The Staff Services Department is responsible for procurement of goods, mail services, and printing.

- ii **Animal Health Programs** - The Animal Health Division includes the seven Region Offices and the program records. The Region Offices are located throughout the State: Amarillo; Mount Pleasant; Beeville; Lampasas. Rockdale , and Laredo; Emergency Management, and the Staff/Authorized Personnel Program Manager.

The Region Offices have the responsibility for administering at the local level all disease programs related to the strategies for their respective geographic regions. These offices are headed by Veterinarians (Region Directors) under the direction of the Assistant Executive Director for Animal Health Programs. The responsibilities also include herds and issuance of permits for quarantined handling facilities. This Department also oversees interstate permit issuance and coordinating verification of these permits and required certificates. These activities also include processing outgoing certificates of veterinary inspection. The Region Offices which are headed by Veterinarians (Region Directors), Emergency Management, and the Staff/Authorized Personnel Program Manager are under the direction of the Assistant Executive Director for Animal Health Programs.

- iii **State Epidemiology, Laboratories, Animal Disease Traceability, and Program Records** - is responsible for providing epidemiological support to field operations, assists in the diagnosis and classification of animals, and approves deviations from prescribed standards when necessary. The Laboratory system consists of a central facility in Austin and a satellite laboratory located in Fort Worth, Texas. The laboratories conduct serological testing of blood/milk and culture procedures for the causative agents of brucellosis. Program Records staff receive, input into databases, and maintain records necessary to document specific state and federal disease eradicating program activities. Program Records also issues and monitors Texas entry

TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

(E-Permits) for domestic and exotic animals and fowl entering Texas from other states. The Assistant Executive Director for State Epidemiology oversees these functions.

Executive – The Executive Division includes the Office of the Executive Director, Administration, Legal and Compliance, Animal Health Programs, and State Epidemiology, and Communications Division.

The Office of the Executive Director is headed by the Executive Director who is responsible for the day-to-day operation of the Agency. The Executive Director reports to the Commissioners of the Texas Animal Health Commission.

The Legal and Compliance section includes the General Counsel who provides agency legal support and oversight of investigations that follow up on reports of violations of agency regulations and state statutes. This section also compiles statistics regarding compliance actions taken and transportation enforcement efforts. The General Counsel is also responsible for the Agency's risk management and serves as the Agency's Chief Audit Executive.

Animal Disease Traceability is responsible for maintaining disease program statistics and administering various programs including brucellosis certified free.

Communications-The Communications Director provides information related to the services of the Agency.

B. The Agency's initial appropriations for the fiscal year 2018 and 2019 are as follows:

	<u>For the Year Ending</u> <u>August 31, 2018</u>	<u>For the Year Ending</u> <u>August 31, 2019</u>
Salaries and Wages	\$10,920,985	\$9,188,419
Other Personnel Costs	165,980	165,980
Professional Fees and Services	144,329	144,329
Fuels and Lubrications	529,474	529,474
Consumable Supplies	94,203	94,203
Utilities	399,872	399,873
Travel	834,810	834,810
Rent – Building	691,879	791,879
Rent – Machine and Other	110,188	110,188
Other Operating Expenses	1,833,845	966,054
Capital Expenditures	<u>1,164,000</u>	<u>150,000</u>
Total Appropriated Budget	\$16,889,565	\$15,107,774

TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

III. Internal Audit Plan Methodology

This section summarizes the methodology used in preparing the internal audit plan. In order to understand the Agency and develop our risk assessment process, we reviewed the Agency's:

- Enabling Legislation
- Strategic plan
- Legislative appropriations request/operating budget
- Prior internal audit reports
- Reports from the State Auditor's Office
- Sunset Commission Report
- Other documents obtained from the Agency

We made inquiries of key personnel of the TAHC. The main purpose of our inquiries was to obtain a generalized overview of how each division fits financially and non-financially into the framework of the Agency. One of the major factors in performing our inquiries, rather than relying solely on the amounts budgeted to each program or function in determining risk assessment, was to identify how much effect one program or function has on another program or function, thereby identifying the total impact that a particular division has on the Agency. These inquiries were standardized to achieve responses to basic questions concerning each division or function. Questions asked related to business objectives, inputs, outputs, systems, critical factors, process activities and business risks and controls. An assessment of the function's risk was also included, based on our inquiries.

In planning internal audit procedures, financial, operational, as well as compliance issues are considered in determining processes/systems of interest. Functional areas that cross many divisions and the interaction between divisions are key criteria in the process of identifying areas of interest. Agency financial reports, planning documents, laws, rules, and regulations, in addition to soliciting input from management, were all considered in developing the list of areas of interest. Upon completion of this list, each area was subjected to our risk analysis process.

The following Agency processes/systems have been considered during the development of the areas of interest list:

Information Systems – Security
Information Technology System Development
Performance Measures Reporting

TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

Program Records Management
Entry Permits (e & VS1-27), Hold Orders, Quarantines, and Releases
Field Operations Management: Market Contracts, Inspections
Emergency Management Process: Policies and Procedures
Consumable Supplies Inventory Controls
State-Federal Laboratory: Disease Testing Documentation:
Budgeting Process
Amarillo Region Office (Amarillo, TX)
Beeville Region Office (Beeville, TX)
Lampasas Region Office (Lampasas, TX)
Rockdale Region Office (Lampasas, TX)
Mount Pleasant Region Office (Mount Pleasant, TX)
Laredo Region Office (Laredo, TX)
Information Systems: Business Continuity
Cash Disbursements (including Payroll)
Cash Receipts and Fee Processing
Personnel Processes
Public Information - Communications
Legal and Compliance
Intergovernmental/Industry Relationships
Fixed Assets
Vehicle Fleet Management
Federal Funds Management
Open Record Requests

There are numerous other areas that may be identified during the process of performing internal audit procedures during the fiscal year. Continuing input from both the commissioners and management will be essential in identifying additional or new areas of risk that should be considered in the future.

Our risk assessment was performed through the consideration of various factors, including:

1. Exposure Level
2. Complexity of Unit
3. Budgeted Revenues and Expenditures
4. Results of Last Audit
5. Extent of other Coverage or Oversight
6. Quality of Internal Controls/Adherence to Laws
7. Changes in Systems and Processes
8. Normal Audit Interval

Although all of the above factors were considered in the assessment of risk for each process/system, some of the factors were weighed more heavily and considered to be more critical to the Agency's internal control structure. The following critical factors were weighted more heavily in our assessment.

- Exposure Level
- Quality of Internal Controls/Adherence to Laws

TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

- Changes in Systems and Processes

The other factors noted are not considered to be as critical to the internal control structure of the Agency. However, all factors were considered in assessing risk and were taken into consideration for each process/system as to their impact on the Agency. Once each area of interest was evaluated, it was assigned a risk factor of high, moderate or low. The following is the result of our risk assessment process.

Processes Identified as High Overall Risk

Beeville Region Office (Beeville, TX)

Processes Identified as Moderate Overall Risk

Cash Disbursements (including Payroll)
Vehicle Fleet Management
Open Record Requests
Information Systems: Business Continuity
Performance Measures Reporting
State-Federal Laboratory: Disease Testing Documentation
Personnel Processes
Information Technology System Development
Lampasas Region Office (Lampasas, TX)
Rockdale Region Office (Rockdale, TX)
Amarillo Region Office (Amarillo, TX)
Emergency Management Process: Policies and Procedures
Mount Pleasant Region Office (Mt. Pleasant, TX)
Legal and Compliance
Public Information - Communications
Budgeting
Intergovernmental/Industry Relationships
Cash Receipts and Fee Processing
Field Operations Management: Market Contracts, Inspections
Program Records Management
Federal Funds Management
Fixed Assets (Austin Central Office)
Consumable Supplies Inventory Controls
Information Systems – Security
Laredo Region Office (Laredo, TX)

Processes Identified as Low Overall Risk

None

TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

IV. Internal Audit Plan

The internal audit plan is designed to provide a review of all areas considered risky. Although the plan is structured in this manner, it should not prevent the review of areas on a more frequent basis, in the case of future restructuring or development of new processes/systems. Also, special reviews might be added in the future as requested by the Commissioners or when deemed necessary by the internal audit function after performance of in-depth review of the specific divisions/systems.

Internal audit activities will be primarily concerned with documenting, testing and evaluating each division or system's internal control policies and procedures and the quality of performance in carrying them out. This will include reporting conditions and suggestions to management and evaluating management's response and plans for corrective actions. Opportunities for improved efficiency identified as a result of performing internal audit activities will be communicated to management and the Commissioners as part of the reporting process.

Internal Audit activities for the fiscal years ending 2019 - 2020 are planned for the following processes/systems, respectively:

<u>Fiscal Year 2019</u>	<u>Estimated Hours</u>
Beeville Region Office (Beeville, TX)	180
Performance Measures Reporting	165
Vehicle Fleet Management (including follow-up: SAO's Audit Report 19-006 on Vehicle Fleet Management relating to Texas Animal Health Commission only)	175
Other Internal Audit Activities (Internal Audit Risk Assessment & Audit Plan, Annual Internal Audit Report, & Meetings)	60
Total Hours	<u>580</u>

<u>Fiscal Year 2020</u>	<u>Estimated Hours</u>
Cash Disbursements (including follow-up: Comptroller's Post-Payment Audit Recommendations, dated August 1, 2018)	175
Open Record Requests	100
Lampasas Region Office (Lampasas, TX)	150
Follow-up on Prior Internal Audit Recommendations (FY 2018)	100
Other Internal Audit Activities (Internal Audit Risk Assessment & Audit Plan, Annual Internal Audit Report, & Meetings)	60
Total Hours	<u>585</u>

The audits for fiscal year 2019 will take place between December 2018 and August 2019 with final reporting occurring in September 2019. The audits for fiscal year 2020 will take place between

TEXAS ANIMAL HEALTH COMMISSION

Internal Audit Plan – Fiscal Years 2019 - 2020

September 2019 and August 2020 with final reporting occurring in September 2020. The above plan does not preclude the internal audit function from identifying and assessing risk relating to new divisions or systems added to the Agency.

These processes/systems were identified for review through risk assessment methodology. As discussed above, this methodology included surveying key personnel of the Agency, identifying financial and non-financial risks, identifying interaction of divisions amongst each other, identifying rules and regulations the various functions must comply with, identifying the volume of transactions and personnel involved within each function.

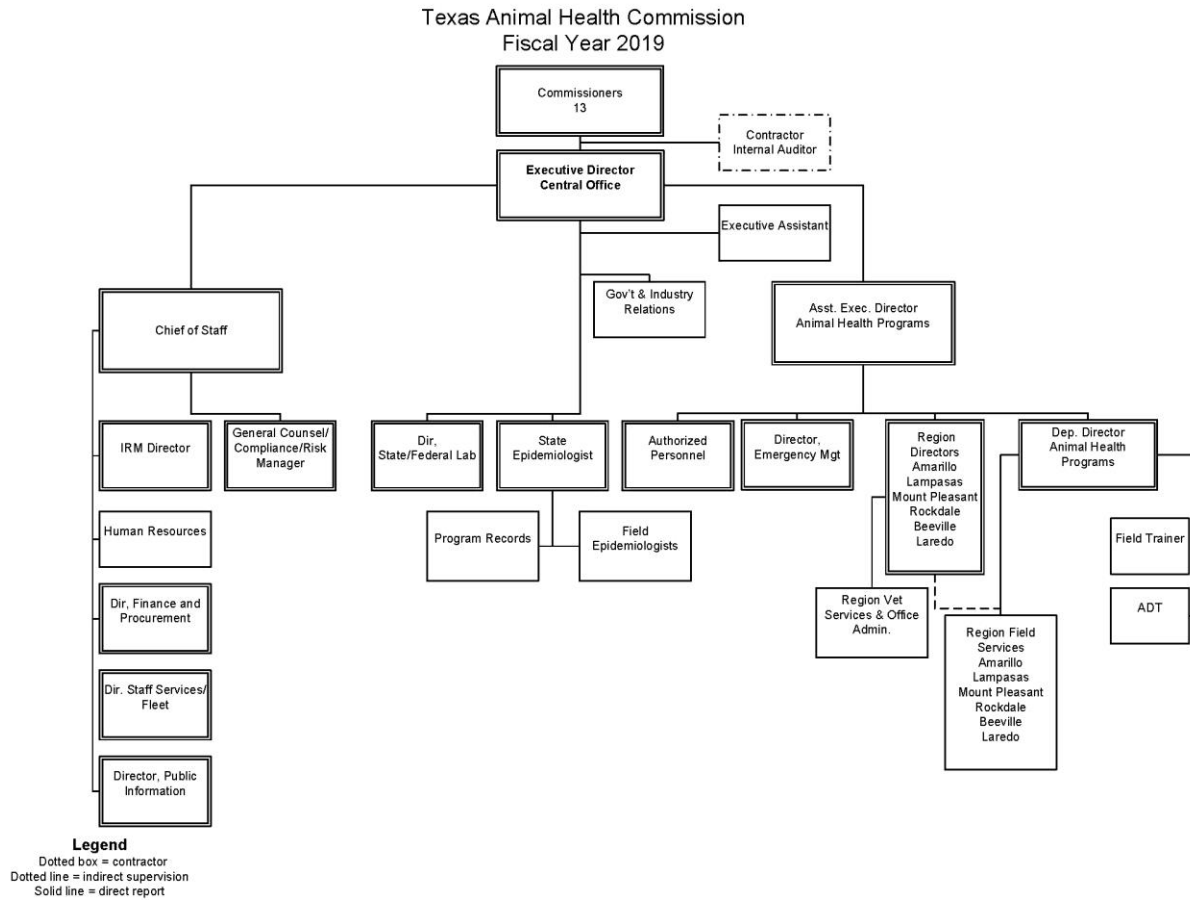
V. Reporting

In compliance with the Texas Internal Auditing Act, the annual internal audit report will be filed with the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor, the Commissioners of the Agency and the Agency's Executive Director by November 1, 2019 and 2020, respectively. The annual internal audit report will be in the form specified by the State Auditor and will include all relevant items noted in the Texas Internal Auditing Act.

TEXAS ANIMAL HEALTH COMMISSION

Internal Audit Plan – Fiscal Years 2019 - 2020

Appendix A: Organizational Chart



TEXAS ANIMAL HEALTH COMMISSION
Internal Audit Plan – Fiscal Years 2019 - 2020

Appendix B: Risk Assessment Summary

High = 38 and up
Moderate = 30-37
Low = less than 30

Beeville Region Office (Beeville, TX)	39
Cash Disbursements (including Payroll)	37
Vehicle Fleet Management	37
Open Record Requests	36
Information Systems: Business Continuity	36
Performance Measures Reporting	35
State-Federal Laboratory: Disease Testing Documentation	35
Personnel Processes	35
Information Technology System Development	34
Lampasas Region Office (Lampasas, TX)	34
Rockdale Region Office (Rockdale, TX)	34
Amarillo Region Office (Amarillo, TX)	34
Emergency Management Process: Policies and Procedures	34
Mount Pleasant Region Office (Mt. Pleasant, TX)	34
Legal and Compliance	34
Public Information - Communications	34
Budgeting	33
Intergovernmental/Industry Relationships	33
Cash Receipts and Fee Processing	33
Field Operations Management: Market Contracts, Inspections	32
Program Records Management	32
Federal Funds Management	31
Fixed Assets (Austin Central Office)	30
Consumable Supplies Inventory Controls	30
Information Systems – Security	30
Region 8 Office (Laredo, TX)	30