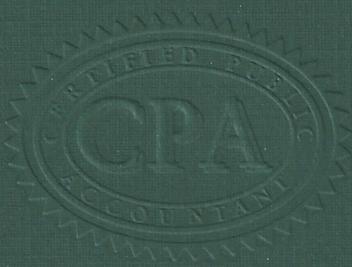


INTERNAL AUDIT OF THE
SULPHUR SPRINGS REGION OFFICE
(SULPHUR SPRINGS, TEXAS)

AS OF AUGUST 31, 2021

AT THE
TEXAS ANIMAL HEALTH COMMISSION

(REPORT NO: TAHC 021-002)



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 Sulphur Springs Region Office (Sulphur Springs, 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, economical and efficient use of resources, and accomplishment of established objectives and goals for operations as of August 31, 2021. 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, economical and efficient use of resources, and accomplishment of established objectives and goals for operations.

The report that accompanies this letter summarizes our comments.

We appreciate the courtesy and cooperation the management of the Commission showed during the course of the engagement.

Monday Rufus & Co., P.C.

August 31, 2021
Austin, Texas

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Executive Summary

There are six region offices in Field Operations. The Sulphur Springs Region Office is located in Sulphur Springs, Texas and is staffed with eighteen employees, including the Region Director, Supervising Inspector, Inspectors and support staff. The objective of the Region is to conduct field activities of the Commission through procedures, systems and data automation programs that have been set up to help locate infected and infested animals and herds, and keep records of such herds and the disposition of animals from those herds.

A primary responsibility of the inspectors is to oversee the handling and testing of animals at the livestock auctions. The Sulphur Springs Region Office covers a total of 42 counties and 25 markets in the State of Texas. **Appendix 3** shows a list of Sulphur Springs Region Office counties. In 2019 and 2020 a total of 889,775 and 846,543 animals were processed through these markets, respectively. **Appendix 4** provides more detailed information on the livestock markets.

The Sulphur Springs Region Office Director, who is a veterinarian, is responsible for and oversees all of the activities administered through the Region 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 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. The 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 Commission recently implemented a new database system. The TexCore system is an internet based computerized animal identification, herd registration, movement control, tracking and tracing system. The database is designed to assist Animal Health Officials in protecting animal and veterinary public health. This system replaces the Profiler and other automated database systems. TexCore is a relational database.

Internal Audit Results

The Sulphur Springs Region Office has controls in place to ensure the reliability and integrity of information, compliance with rules, policies, procedures, laws, and regulations, safeguarding of assets, accomplishment of established objectives and goals for operations.

There were no deficiencies detected in the audit of the Sulphur Springs Region 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*.

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

RESULTS

Internal Audit Objective 1: Reliability and Integrity of Information.

Auditors obtained data entry information inputted into the TexCore System. Data entry information was tested and traced to supporting documentation for accuracy and reliability. No exceptions were noted during the testing.

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

Sulphur Springs Region Office has a system in place to ensure that staff activities comply with policies, procedures, laws, and regulations. The Sulphur Springs Region Office 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 Sulphur Springs Region Office 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 Sulphur Springs Region Office employees as required by the Commission's Policies and Procedures manual.

Sulphur Springs Region Office has training procedures for new inspectors which include orientation and obtaining needed training by attending available classes given by other agencies and educational institutions such as the United States Department of Agriculture (USDA) and Texas A&M University, when necessary.

Internal Audit Objective 3: Safeguarding of Assets.

The auditors obtained the Sulphur Springs Region Office fixed asset inventory listing as of May 31, 2021, and selected a sample of 15 or 11% of the 131 fixed assets. All fixed assets were properly accounted for by the employees assigned the fixed assets. All personal inventory items tested and verified appeared to be properly secured.

Work/Fleet/Travel (Weekly Activity Reports) are being timely submitted electronically by inspectors and reviewed by the Supervising Inspector.

Internal Audit Objective 4: Economical and Efficient Use of Resources

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

Work/Fleet/Travel (Weekly Activity Reports) are being timely submitted electronically by inspectors and reviewed by the Supervising Inspector. The Supervising Inspector uses the Weekly Activity Reports submitted as a tool to manage the Sulphur Springs Region Office 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.

The TAHC Executive Director has a teleconference meeting with all TAHC regions each month to update the regions regarding animal program issues and concerns.

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

Animal entry permits (E-permit) issued by the Program Records Department at the Commission's Central Office and forwarded to the Sulphur Springs Region 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, and any exceptions were documented.

Field inspectors in Sulphur Springs Region Office 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 Sulphur Springs Region Office counties.

On-going communication is conducted between the Sulphur Springs Region Office and field inspectors through phone calls, e-mails, or face-to-face. Mandatory inspector meetings are held at times in the Sulphur Springs Region 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*
- *Economical and Efficient use of Resources*
- *Accomplishment of Established Objectives and Goals for Operations*

Scope

The audit scope of the internal audit work included ensuring compliance with the Texas Agriculture Code, Texas Animal Health Commission rules, Sulphur Springs Region Office operating policies and procedures. The scope included interviews with Sulphur Springs Supervising Inspectors, Office staff, and Field Inspectors. Inspector reports, E-permits, TexCore database information, and other pertinent reports and documents were reviewed and tested for accuracy and compliance.

Methodology

The Sulphur Springs Region 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 Sulphur Springs Region Office operations and reporting of data and information to Commission headquarters.

Data Reliability and Completeness

We obtained an understanding of the TexCore database system implemented in Fiscal Year 2021, E-permit, Fixed Asset, and Work/Fleet/Travel (Weekly Activity Reports) systems. 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 random samples of data from the TexCore database, E-permit, and Fixed Asset systems. Those sample sizes were not necessarily representative of the population as the intent was not to project test results to the population.

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 2020
- List of assigned fixed assets in inventory as of May 31, 2021
- General Appropriation Act (FY 2020-2021)
- Texas Animal Health Commission Website

Procedures and tests conducted included the following:

- Interviewed Commission management and staff to obtain an understanding of the Sulphur Springs Region Office functions and activities and controls in place.
- Obtained, reviewed, and tested employees' Supervisor Work/Fleet/Travel (Weekly Activity Reports) and supporting documentation for management approval and accuracy.
- Tested for accuracy and reliability of information being entered into the TexCore database system.
- Tested for accuracy, reliability, and timing of entry permits (E-permit) information processed and entered into the Commission's TexCore database system.
- Tested for supporting documentation on timely elimination of computer accessibility for terminated employees.
- 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.

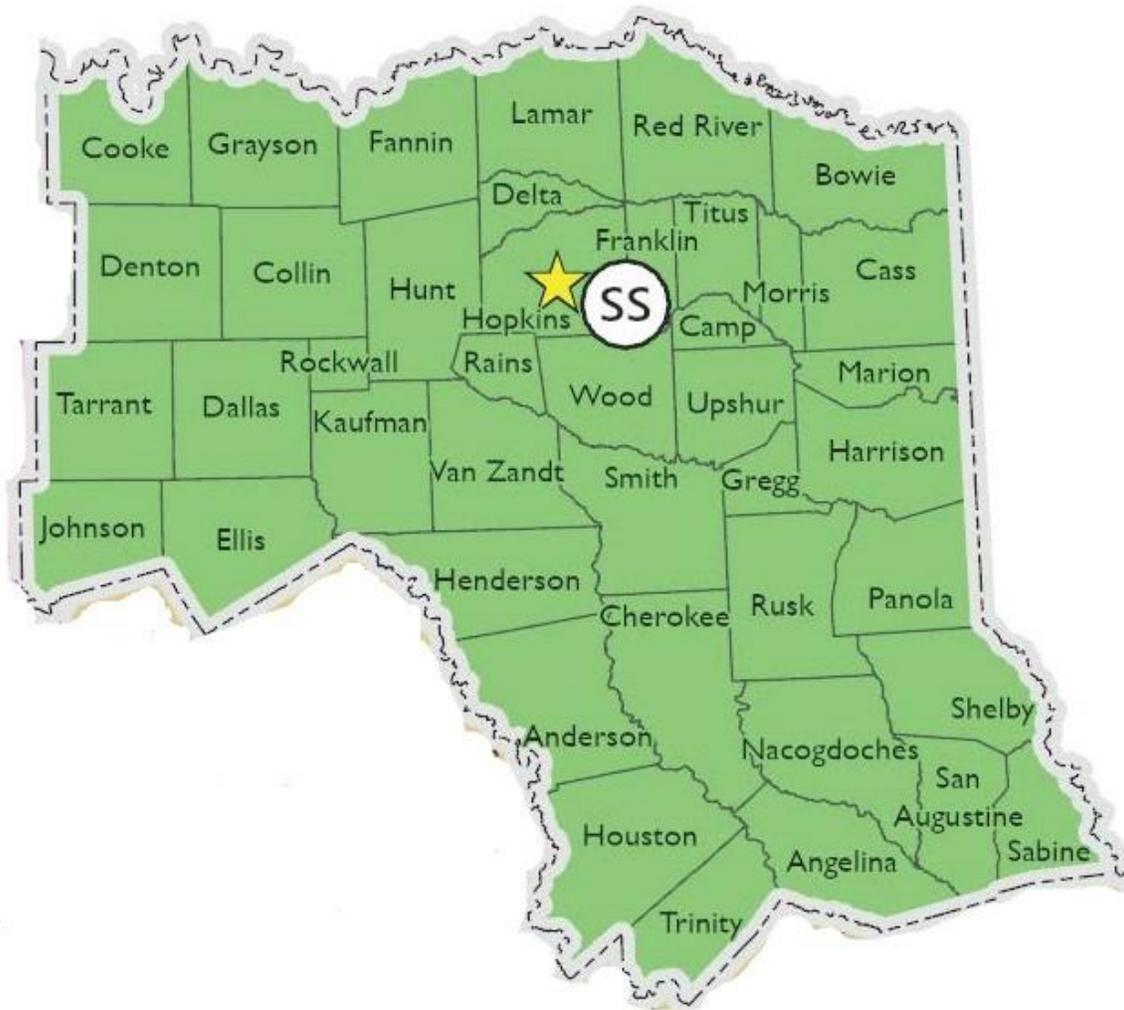
To carry out its mission, the Commission is supported by the veterinary community, competent laboratory system and epidemiology activities which oversee the diagnosis of diseases, and assures appropriate tracing of the movement of exposed and infected animals to determine the origin of infection and 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 years 2020 and 2021 the Commission has an authorized workforce of 220.2 full-time equivalent employees (FTEs), respectively. The Commission's staff is comprised of field inspectors, veterinarians, veterinary epidemiologists, laboratory personnel, emergency management planners, field investigators, and administrative staff.

Appendix 3



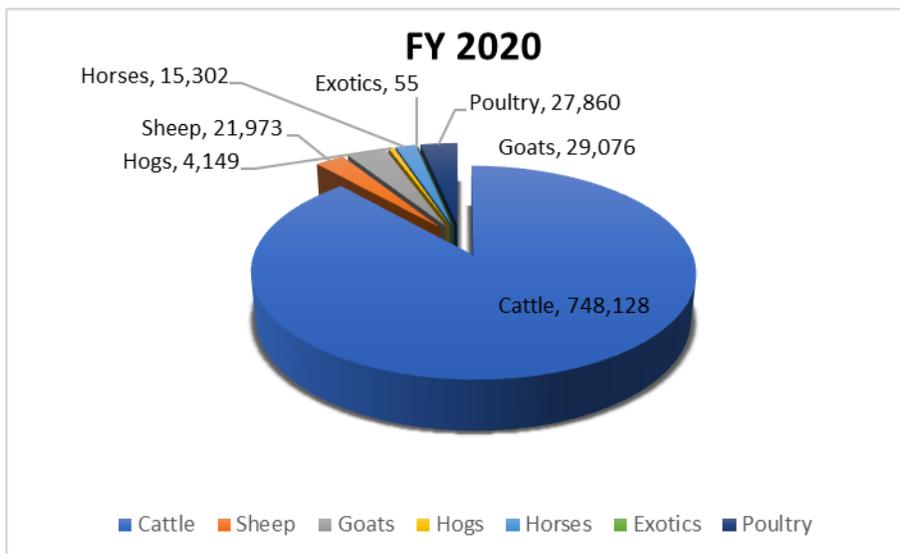
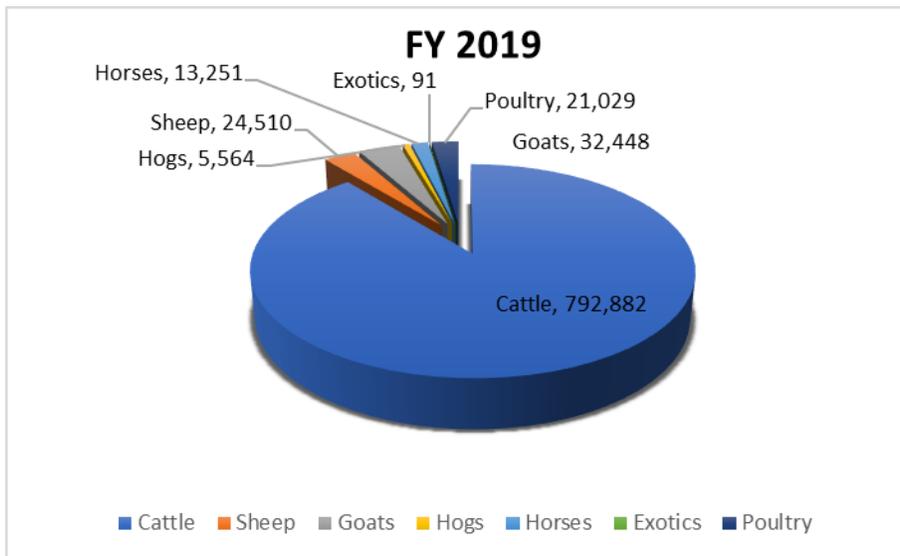
List of Sulfur Springs Region Office Counties

Counties - 42

Anderson	Cooke	Grayson	Johnson	Rains	Smith
Angelina	Dallas	Gregg	Kaufman	Red River	Tarrant
Bowie	Delta	Harrison	Lamar	Rockwall	Titus
Camp	Denton	Henderson	Marion	Rusk	Trinity
Cass	Ellis	Hopkins	Morris	Sabine	Upshur
Cherokee	Fannin	Houston	Nacogdoches	San Augustine	Van Zandt
Collin	Franklin	Hunt	Panola	Shelby	Wood

Appendix 4

Summary of Auctions (Unaudited)			
	FY 2019	FY 2020	Total
Cattle	792,882	748,128	1,541,010
Sheep	24,510	21,973	46,483
Goats	32,448	29,076	61,524
Hogs	5,564	4,149	9,713
Horses	13,251	15,302	28,553
Exotics	91	55	146
Poultry	21,029	27,860	48,889
Total	889,775	846,543	1,736,318



Appendix 5

Governor's Office of Budget and Planning

Attn: Sarah Hicks
Phone: (512) 463-1778
Budgetandpolicyreports@gov.texas.gov

Legislative Budget Board

Attn: Christopher Mattsson
Phone: (512) 463-1200
Audit@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator
Phone: (512) 936-9500
iacoordinator@sao.texas.gov

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