

An Audit Report on

# The Animal Health Commission

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**State  
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## Overall Conclusion

The Animal Health Commission (Agency) has established systems and processes used for the surveillance of livestock and for the prevention, eradication, and control of livestock diseases. Audit testing verified that the Agency has processes to test livestock for diseases, monitor the movement of livestock, and take action on diseased livestock. However, the Agency can make improvements. The majority of the improvements relate to documentation of the above activities, the accuracy of documentation in related databases, and compliance with documentation rules and regulations.

The Agency is accurately managing, monitoring, and reporting its financial resources.

### Background Information

The Animal Health Commission's main mission and role is the assurance of marketability and mobility of Texas livestock. This is accomplished through surveillance and prevention as well as through the control and eradication of diseases such as brucellosis and tuberculosis.

The livestock under the Agency's control include cattle, swine, poultry, sheep, goats, equine family livestock, and exotic livestock. The Agency consists of a central office in Austin, eight area offices, and four state-federal laboratories. The total value of livestock for Texas as of January 1, 2005, was \$10.8 billion, and the Agency spent \$18.6 million during fiscal year 2004.

## Key Points

Improvements to systems and processes established to deliver expected services are needed.

Although the Agency has established processes for the surveillance of livestock and for the prevention, eradication, and control of livestock diseases, the Agency should improve its documentation. Specifically, the Agency should improve documentation on forms, the accuracy of the information in its databases, and its compliance with rules and regulations regarding the documentation of permits, disease testing, hold orders, quarantines, releases, contracts with markets, and livestock market inspection reports. Additional policies and procedures for emergency management should be developed, and the Agency should ensure that all federal funding opportunities are considered.

The Agency accurately manages, monitors, and reports on its financial resources.

The Agency's processes for reviewing and approving expenditures and for requesting and collecting revenues provide reasonable assurance that the expenditures and revenues are accurate, business related, and approved.



## ***Summary of Information Technology Review***

The Animal Health Commission has six major internal information technology systems that aid in documenting program and financial information. These systems are not configured to relate to one another for the best use of the systems. We reviewed the security of these systems as well as general and application controls for five of the six systems, and we found that the Agency has sufficient policies, procedures, and systems for backing up and securing its electronic data. However, improvements are needed for specific edit checks. Edit checks help ensure the integrity of data in an electronic system by automatically rejecting invalid entries, such as the entry of text in a field that should contain only numbers (see Chapter 3). In addition, there were issues with the accuracy of the data in the Agency's information systems (see Chapter 1).

Our review of the Agency's computer system revealed vulnerabilities in the system, which we discussed with management. Overall, it appears that the Agency is generally protecting its Internet-accessible network resources from the risk of a successful attack.

Although we did not review the federal Generic Database, which is used to track activities such as laboratory tests for herds of livestock (not individual animals), we reviewed other Agency systems that contain disease test results and information on individual animals.

## ***Summary of Management's Response***

The Agency generally agrees with the recommendations in this report.

## ***Summary of Objectives, Scope, and Methodology***

The objectives were to determine whether:

- The Agency is delivering expected services as mandated by the Legislature and is in compliance with applicable statutes, rules, and regulations.
- The Agency is maintaining financial viability by properly and accurately managing, monitoring, and reporting agency cash and budgets.

The scope included the program and financial activities of the Agency as well as the related information systems. The audit reviewed information from fiscal year 2004 and the first two quarters of fiscal year 2005.

The audit methodology consisted of collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with Agency management and staff.

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# Detailed Results

## Chapter 1

### ***Improvements to the Systems and Processes Established to Deliver Expected Services Are Needed***

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The Animal Health Commission (Agency) has established processes used for the surveillance of livestock and for the prevention, eradication, and control of livestock diseases. Audit testing verified that the Agency has processes to test livestock for diseases, monitor the movement of livestock, and take action on diseased livestock. However, the Agency can improve its documentation of these activities, the accuracy of related databases, and its compliance with rules and regulations relating to documentation.

#### Chapter 1-A

### **The Agency Should Improve Its Permit Documentation and the Accuracy of Information in Its Permit Systems**

Audit testing of the two types of permits the Agency issues showed that the Agency can improve its documentation of these permits and permit-related information in its computer system. Doing so will give the Agency better information about the location of livestock, which can help it with its surveillance and monitoring activities.

#### **Permit Requirements**

The Agency is required to issue permits for livestock entering Texas by the Texas Administrative Code (Title 4, Part 2, Chapters 31-60) and Texas Agriculture Code (Title 6, Chapters 161-168). In addition, the Administrative Code requires livestock to have a permit and a certificate of veterinary inspection (CVI) before they can enter Texas. The CVI certifies that the livestock are free of symptoms or evidence of communicable or infectious diseases and that they have been subjected to tests, immunizations, and treatment as necessary. An estimated 4.3 million head of livestock came to Texas from other states and countries between January 2004 and April 2005. (See Appendix 2.)

The Agency issues entry permits (e-permits) to regulate the movement of livestock into Texas. The Agency issues Veterinary Services (VS) 1-27 permits on behalf of the U.S. Department of Agriculture (USDA). VS 1-27 permits regulate the transportation of diseased, exposed, and non-tested livestock within Texas. The Agency's inspectors verify permits by either phone calls or visits to the permit destination to document the number of animals received.

**E-Permits.** We were unable to determine whether 7 of 36 (19 percent) e-permits tested were verified within 30 days, which is required by the Agency's policies and procedures, because the computer system, Permit Tracker, does not contain a true "verified date" field. Currently, Permit Tracker automatically inputs the date the data is entered in

the "verified date" field, which is usually not the actual date the inspector verified the permit.

To compensate for this, staff members entered the actual date of permit verification in the disposition or comments section for 29 of the 36 (81 percent) e-permits tested. Based on the information in the disposition or comments sections, we determined that an additional six permits (17 percent)

were not verified within 30 days. All additional documentation on the hard-copy permits tested matched the information in Permit Tracker.

The Agency indicates that it will issue fewer e-permits in the future. Of the 3,635 e-permits issued from September 1, 2003, to February 28, 2005, 72 percent were for swine. Changes to the Texas Administrative Code that became effective in March 2005 expand the exceptions for requiring e-permits for swine, which indicates that fewer permits would be issued.

VS 1-27 Permits. All 37 of the VS 1-27 hard-copy permits tested were missing data that was required by USDA instructions, such as the status of the animals, the address of the person to whom the permit was issued, and the destination of the livestock. Not having this type of information could make it more difficult for the Agency to identify whether an animal is diseased or exposed or to contact a permit holder if the need arose.

In addition, 11 of 37 permits tested (30 percent) were issued with either incorrect “void after” dates or no “void after” date at all. The inclusion of “void after” dates is required by state statute and Agency rules and regulations. They are important to ensure that a diseased animal is moved within a specific time frame to limit its exposure to other livestock. Finally, 6 of 37 permits tested (16 percent) were not verified within 30 days as required by the Agency’s policies and procedures. The Agency issued 3,638 VS 1-27 permits from September 1, 2003, to February 28, 2005.

## Recommendations

The Agency should:

- Develop a method to completely document in Permit Tracker the actual date that permits are verified.
- Verify permits within 30 days.
- Review both types of permits to ensure that they are completed in accordance with statutes, rules, and regulations.
- Ensure that the proper “void after” date is on each VS 1-27 permit and educate staff on issuing permits for movement for the appropriate length of time.

## Management’s Response

*The agency concurs that actual verification dates are important for data integrity. As a proprietary database, the agency may not modify or alter Permit Tracker’s design or structure without a license or agreement with the vendor owning the intellectual property for the system. Because the agency*

*has planned to retire the current Permit Tracker application and replace it with a new database system, the agency has not secured a license to modify the current system. Although not an optimal solution, the agency will continue to document the actual permit verification date in a textual disposition/comments data field; data-entry staff will be trained to consistently perform this task until Permit Tracker is retired and replaced with a database consistent with SAO recommendations.*

*A letter of clarification has been distributed to agency field operations personnel to clarify appropriate time frames for VS 1-27 permits. Although the agency consistently strives to do so, in some cases, the permits cannot be verified in 30 days because of the number of steps involved in finalizing the process. The permitting and verification process necessarily includes non-agency individuals who are not under the management and control of the agency; the process may involve asking the transporter or slaughter facility for information, who in turn require time to research their records. Many permits are written by private veterinarians, animal health officials in other states, or USDA officials; untimely submission by non-agency entities impairs the agency's ability to verify permits within 30 days. The agency will continue to clarify appropriate time frames for form VS 1-27 to agency staff and will remind non-agency entities of agency policies and procedures regarding verification timelines.*

*The agency agrees to improve completion of permits issued both by agency staff and non-agency entities. Although the VS 1-27 is a dated USDA form that has not been revised in recent years, the agency will continue to encourage non-agency entities to take greater care in fully completing the federal form for the applicable situation/purpose for which it is issued. The agency permit verification process is designed to review compliance of permits against applicable requirements or standards; as deficiencies in permits are identified, the agency addresses them through a variety of means, including but not limited to, issuing informational or warning letters to the originator of the permit as warranted and through publishing press releases and informational material on current disease issues. The agency concurs with the SAO and commits to better ensuring that animals are correctly and properly permitted.*

*A letter of clarification has been distributed to agency field operations personnel to clarify appropriate time frames for VS 1-27 permits. The VS 1-27 form is an old federal USDA form used for a variety of restricted movement options. Not all blocks or parts of the form are applicable to all uses and forms are often completed by non-agency entities such as private veterinarians, animal health officials of other states, or USDA officials. The intent of the VS 1-27 is to restrict the movement of animals to selected locations only; although the agency reports that its animal movement controls are well managed, it agrees to continue to clarify appropriate time frames for form VS 1-27 to agency staff to ensure consistency with the two void dates*

*stated within the agency regulations for EIA time frames and for Carcinoma time frames; the agency will also clarify time frames, as appropriate, for other types of movements per USDA policy in order to promote clarity and consistency with federal guidelines.*

Chapter 1-B

## **The Agency Should Improve Its Documentation and Its Compliance with Rules and Regulations Related to Disease Testing**

Audit testing identified issues related to documentation of disease testing, the

### **Facts on Livestock Disease Testing**

- The Agency's state-federal laboratories received almost 37,000 test charts and 3.6 million specimens between September 2003 and February 2005.
- Sales of livestock at auction markets from January to December of 2004 totaled 5.8 million head of cattle, calves, hogs, sheep, and goats.
- The number of livestock slaughtered from January to December of 2004 totaled 6.8 million head of cattle, calves, hogs, sheep, and lambs.
- Veterinarians conducted disease testing for approximately 230,000 samples between September 2003 and February 2005.
- All dairy herds and 500 pure-bred beef herds have been tested for tuberculosis. The Agency plans to test an additional 1,900 pure-bred beef herds.

Sources: United States Department of Agriculture, National Agriculture Statistics Service, and the Animal Health Commission

accuracy of information on personnel approved to conduct tests, and the timely receipt of test specimens. Livestock are tested for diseases when they are auctioned at one of Texas's 157 markets, when they are slaughtered at slaughter establishments, and when veterinarians conduct other various tests (see text box). The testing is documented on a test chart that contains information such as the date, owner's name and address, animal identification, and the veterinarian's name and accreditation number. The test specimens are generally processed through the Agency's state-federal laboratories, depending on the type of disease test conducted. The tuberculosis test, for example, is a skin test and is therefore not processed by the laboratories. We reviewed two main areas where disease tests are conducted: Agency state-federal laboratory testing

(market, veterinarian, and slaughter tests) and field tuberculosis testing, for which the veterinarians are partially reimbursed by the Agency.

**Documentation of Disease Testing.** Our testing identified that the complete name and address of the owner or market where an animal originated was not included on test charts for market tests (91 percent), veterinarian tests (6 percent), slaughter tests (85 percent), and tuberculosis tests (17 percent). In addition, 8 of 67 (12 percent) market test charts did not contain the veterinarian's signature, number, or the test date. However, test charts are completed by veterinarians, federal slaughter plant inspectors, or slaughter plant personnel, none of whom are under the control of the Agency.

Accurate and complete documentation in the test charts is important to the Agency because it uses the information to trace the movement of livestock that have suspicious test results or that have been exposed to such livestock. In addition, documentation requirements are specified in the Texas Administrative Code (Title 4, Part 2, Chapter 35) and the Texas Agriculture Code (Title 6, Section 162.004).

Accuracy of the Accredited Veterinarian Database. The Accredited Veterinarian Database is not up to date. According to it, 9 of 112 veterinarians included in our samples of disease-testing documentation were not approved to conduct brucellosis or tuberculosis tests. However, the Agency was subsequently able to demonstrate that seven of these veterinarians were actually approved to conduct the tests they performed.

The Texas Administrative Code (Title 4, Part 2, Chapters 31–60) and the Texas Agriculture Code (Title 6, Chapters 161–168) require that disease testing be conducted by approved personnel. The Accredited Veterinarian Database is used to document the personnel approved to conduct disease testing.

Timeliness of Specimens' Arrival at Labs. The Agency did not have documentation to allow us to test for compliance with the rule that test specimens be mailed to a lab within two days. However, audit testing indicates that up to 15 percent of test specimens submitted may not have been mailed within two days. This is because they were not received at the lab within five days of being drawn from the animal, as expected by Agency laboratory personnel. Specific testing results show that:

- Market testing – 5 of 67 (7 percent) tested were received by the laboratory 6 to 7 days after the samples were drawn
- Veterinarian testing – 3 of 36 (8 percent) were received 6 to 10 days after the samples were drawn
- Slaughter testing – 5 of 34 (15 percent) were received 6 to 9 days after the samples were drawn.

Agency state-federal labs need to receive specimens in a timely manner to ensure that specimens are testable and unspoiled. All of the specimens we reviewed were testable. Texas Administrative Code requires the specimens to be mailed or delivered to the laboratories within two days of drawing the sample.

## Recommendations

The Agency should:

- Reiterate the rules and regulations regarding disease-testing documentation to the veterinarians, markets, and slaughter establishments as well as review test charts to ensure that they are complete and in compliance with the Texas Administrative and Texas Agriculture Codes. The Agency should also ensure that it has current information on herd owners, markets, and slaughter establishments on file.

- Verify and update veterinarians' status in the Accredited Veterinarian Database to ensure that it accurately reflects the types of tests they are approved to perform. In addition, the Agency should compare the veterinarians in the laboratory system, federal system, and the Accredited Veterinarian Database and correct any discrepancies.
- Develop a system to determine whether specimens are mailed to a laboratory within the required time frame of two days. If the time elapsed is greater than two days, the Agency should work with the person drawing the specimens and/or the livestock market or slaughter establishment to ensure that the specimens are mailed within required time frames.

### Management's Response

*The agency concurs with the SAO recommendation. Historically, the agency provides educational brochures, makes regular public information broadcasts and press releases, and issues educational or compliance letters to promote both understanding of and compliance with applicable statutes and rules. The agency will seek to provide greater clarity and better dissemination of information. Although the agency strives to ensure that its veterinarian, market, and slaughter establishment information is current, updates will be better coordinated between field operations, program records, and financial services.*

*The agency's Staff Services department housed in the Administration and Finance Division is currently updating the system more frequently to ensure not only accurate status, but timely status for the different types of tests a veterinarian is authorized to conduct. USDA and the agency exchange information daily on veterinarian status and the agency will strive to ensure that the database is kept current.*

*The agency agrees that timely delivery of specimens would minimize degradation of the samples. The issue of specimen degradation, particularly hemolysis, resulting from untimely or slow delivery of samples to agency laboratories was addressed by agency laboratory staff several years ago by developing the 48 hour rule. Before the agency implemented the 48 hour requirement, it had a hemolysis rate of approximately thirty (30%) percent. Since the agency implemented the 48 hour rule, it has less than one (1%) percent total hemolysis in specimens received. If a veterinarian demonstrates a pattern of submitting blood samples with a high rate of hemolysis, the agency currently works directly with that veterinarian to address and remedy the problem. A veterinarian whose submission is damaged or has hemolyzed is notified by the laboratory; animals being tested for sale, show, interstate movement, change of ownership, or international shipment cannot be moved until a sample is reliably tested and the lab results permit movement. Repeat specimen gathering or re-bleeding of animals due to damaged or hemolyzed samples is usually performed at the expense of the veterinarian who originally*

*provided the service to the client.*

*Due to processing delays beyond the agency's control at three major U.S. post office distribution centers, the agency has coordinated with the Federal office to set up express mail shipping points in strategic locations in order to bypass the three problematic processing centers. Although the 48 hour rule has significantly improved the hemolysis rate, the agency will continue to explore mechanisms for improving the timeliness of specimen delivery to minimally maintain, if not improve, the current hemolysis rate.*

Chapter 1-C

## **Electronic Information for Hold Orders, Quarantines, and Releases Is Not Always Up to Date**

Profiler, the automated system that tracks hold orders, quarantines, and

releases, does not contain up-to-date information (see text box). However, the Agency maintains the related hard-copy documentation at area offices. Auditors did not identify any instances of inaccurate classification of hold orders or quarantines in the Agency's hard-copy documentation.

### **Hold Orders, Quarantines, and Releases**

A hold order is a document restricting movement of a herd, a unit, or an individual animal pending the determination of disease status.

A quarantine is issued if an infection is confirmed or if there is overwhelming epidemiological evidence of a disease. There are times when there is no further indication of disease but the Agency has to wait to release the herd in accordance with the time lines in the state and/or federal rules. Quarantines are required by both the Texas Agriculture Code (Title 6, Chapters 161 to 168) and the Texas Administrative Code (Title 4, Part 2, Chapters 31-60). In addition, quarantines for certain diseases must be reported to the United States Department of Agriculture.

Sources: Texas Administrative and Agriculture Codes and the Animal Health Commission

The lack of an accurate, up-to-date database for hold orders, quarantines, and releases may result in a failure to follow up on potential cases of disease. Any disease test results (see Chapter 1-A) that are suspect or positive are communicated to one of the Agency's eight area offices. The Agency follows up on any suspected livestock and places either a hold order or quarantine on that animal and/or herd. The diseased livestock and/or herd may be "depopulated," and any

other remaining livestock will continue to be tested until the hold order or quarantine is released.

Profiler did not always contain complete information from the hard-copy hold orders, quarantines, and releases. Testing identified that the quarantine or release information was incomplete in Profiler for 5 of 30 (17 percent) of the ranches and dairies tested. In three of these cases, Profiler did not show that the quarantines had been released. In one case, Profiler did not have a record of the quarantine. The fifth exception did not have a quarantine for a specific disease or the release recorded in Profiler.

In addition, hold-order information in Profiler did not always match data from the area offices:

- Four of 19 (21 percent) bovine brucellosis releases tested were identified by the area offices as released, but the releases were not recorded in the Profiler system. Three of the brucellosis exceptions were due to the

entering of incorrect information, and one exception was due to the release information's not being entered into Profiler at all.

- Information in Profiler showed that one area office had 247 hold orders that were not released. This is 97 percent of the total 255 hold orders tested. The Agency indicated that all of the 247 hold orders should be released in Profiler. Management at the Austin headquarters was not aware of the large number of unreleased hold orders in this area.

Furthermore, the Agency occasionally changes information in Profiler to show that long-term holds or quarantines have been released so that these will not show up on internal reports on recent hold or quarantine activity. For example, if an animal must continue to be tested for a long period but still remain under a hold order or quarantine, the animal's status will be noted as released in Profiler. The Agency does this because Profiler lacks specific action codes that distinguish between long-term and short-term holds or quarantines.

## Recommendations

The Agency should:

- Develop a quality control procedure or management oversight to help ensure that accurate data is entered into Profiler in a timely manner.
- Develop specific action codes for Profiler to differentiate between long-term and short-term hold orders.

## Management's Response

*The agency agrees with the SAO recommendation and will continue to develop and implement quality control procedures to ensure that the Profiler data is accurate. The agency's Program Records department will reassess current quality control procedures to determine if additional oversight must be included.*

*The agency Information Resources Steering Committee (IRSC) will discuss the costs and benefits of developing an action code to distinguish long-term and short-term hold orders and will recommend to agency management whether or not to implement such an action code and provide a rationale for the recommendation.*

## **Improvements Are Needed in the Areas of Emergency Management, Contracts with Markets, and Livestock Market Inspection Reports**

Testing of the Agency's activities identified three other areas that can be improved.

**Emergency Management.** The Agency lacks formal policies and procedures that detail how it is to maintain its everyday duties while responding to an emergency. For example, when responding to the avian influenza ("bird flu") situation in 2004, the Agency committed 63 inspectors and staff to respond to the disease. Other inspectors and employees had to take over responsibilities such as market inspections, and calls regarding herd health had to be prioritized.

In addition, the Agency has not applied for all available federal emergency management grants. The Agency indicated that it did not apply for one specific homeland security grant due to lack of time and personnel. However, in April 2005, the Agency requested federal homeland security funds to pay for additional personnel, training and exercises, and equipment.

**Contracts with Markets.** The Agency has hard copies of all its contracts with markets and veterinarians on file. However, 24 of 43 (56 percent) of the contracts with markets were not updated when there was a change in ownership. A current contract is necessary for the Agency to hold market owners accountable for not meeting requirements.

**Livestock Market Inspection Reports.** Although an Agency inspector had completed a livestock market inspection report for every market tested in our sample, some information on the reports was lacking, such as an employee or supervisor signature. In addition, the number of livestock recorded on the livestock market inspection reports was slightly less than the number of livestock recorded on the reimbursement requests submitted by markets in 2 of 40 cases. This could mean that the Agency overpaid the markets.

### **Recommendations**

The Agency should:

- Prepare formal policies and procedures that detail how it is to maintain its everyday duties while responding to an emergency.
- Actively seek out available grants and funding.
- Review the contracts currently on file and update those where the identification number and/or ownership has changed.

- Periodically compare the accuracy of the livestock market inspection reports to the reimbursement requests to ensure that the Agency is paying the markets appropriately for the work conducted.

### Management's Response

*The agency has communication and organization procedures in place for emergency response compliant with Incident Command System (ICS) and National Incident Management System (NIMS) methodologies. Emergency response procedures vary in scope and nature such that the specific daily duties to be performed during an emergency are dependent upon the cause of the emergency. Therefore, defining specific policies or procedures ahead of time cannot accurately be done. In some cases, Foot and Mouth Disease (FMD) for example, or a catastrophic event, the agency will be unable to fully maintain routine, non-emergency daily duties or such routine duties will be necessarily reduced in scope or halted in order to adequately staff and respond to the emergency biosecurity requirements.*

*The agency concurs with this recommendation and will continue its active efforts to secure cooperative agreements with the federal government as well as other federal and state grant opportunities. Federal funds accounted for approximately fifty-two (52%) percent of the agency's total budget for state fiscal year 2004. The Financial Services department housed in the Administration and Finance Division will continue to coordinate the agency's efforts to seek available federal grants as well as maintain, monitor, and manage the multiple cooperative agreements already secured.*

*The agency agrees with this recommendation and will better coordinate identification and ownership changes between field operations, program records, and financial services to ensure that information is both current and accurate.*

*The agency agrees with the recommendation and will periodically compare the market inspection reports to reimbursement requests. It is important to note, however, that no livestock market was overpaid and no livestock market was underpaid. Voucher payments were, and still are, based upon the number of blood samples received by the state-federal labs and are not calculated from the number of animals in the Market Report. Although the agency has adequate fiscal and accounting controls to ensure accurate and proper payment, the agency will review livestock market reports against the actual blood samples received by the laboratory.*

## *The Agency Accurately Manages, Monitors, and Reports on Its Financial Resources*

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The Agency has established systems and processes to properly and accurately manage, monitor, and report on agency financial resources. The Agency's processes for reviewing and approving expenditures and for requesting and collecting revenues provide reasonable assurance that the expenditures and revenues are accurate, reasonable, and approved. We tested expenditures, federal reimbursement requests, and fee collections that the Agency processed from September 2003 to February 2005.

Expenditures. Testing of payments to markets, veterinarians/veterinarian clinics, and other vendors found that the Agency substantially complied with applicable rules and regulations and its processes. Specifically:

- The sample of payments to veterinarians/veterinarian clinics was 97 percent correct for all areas tested.
- The sample of payments to markets was 100 percent correct.
- A sample of all other disbursements was 98 percent correct for all areas tested.
- All payrolls tested were properly processed.

Revenue from Federal Reimbursements. The Agency had adequate supporting documentation for 100 percent of the federal reimbursement requests tested. Specifically, 100 percent of the travel dollars tested matched the federal billing report, which is used to request reimbursement of federal funds. In addition, all travel vouchers were complete and signed by an employee and a supervisor. Furthermore, all time cards had the appropriate signatures and approvals. The Agency receives federal funds for programs such as brucellosis, tuberculosis, and avian influenza testing and for homeland security activities.

Fee Revenue. The Agency charges fees for fowl registration and health certificates. Testing found that all amounts charged and collected for those two fees in the sample were accurate.

While the Agency charges only two types of fees, it has authority to charge five types. The fees are established in the Texas Agriculture Code, Chapters 161 to 168:

- An annual fee for registration as a seller, distributor, or transporter of live domestic or exotic fowl. The fee is calculated on a sliding scale based on the number of fowl.

- A fee of \$0.25 for each certificate of health issued.
- Inspection fees, which could include the inspection of a shipment of livestock being transported to Texas or the inspection of dealer records that relate to the buying and selling of livestock.
- Fees in amounts necessary to cover the cost of administering brucellosis regulations when combined with funds received from other sources.
- Registration fees for the feeding of unrestricted garbage to swine, not to exceed \$25. The registration permit is for two years.

In an effort to identify additional fee opportunities, the Agency established a fee working group. The group recommended increasing the \$0.25 fee for health certificates and charging a fee to register for a premise identification number (which the Agency is not currently authorized to do) instead of charging the other fees. House Bill 1363, passed during the 79th Legislative Session, takes out the specific fee amount for certificates of health and allows the Agency to charge any amount. House Bill 1361 was also passed and allows for a fee to be collected for entities that register for a premise identification number. Both bills become effective on September 1, 2005.

## ***Improvements Are Needed to Ensure the Accuracy of Information Technology Data***

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The Agency has six major internal information technology systems that aid in documenting program and financial information. These systems are not configured to relate to one another for the best use of the systems. For example, there were differences between the veterinarian identification codes recorded in the Laboratory System and those in the Accredited Veterinarian Database.

We reviewed the security of these systems as well as general and application controls for five of the six systems. The Agency has sufficient policies, procedures, and systems for backing up and securing its electronic data. However, improvements for specific edit checks are needed. Edit checks help ensure the integrity of data in an electronic system by automatically rejecting invalid entries, such as the entry of text in a field that should contain only numbers. The following issues are in addition to the information technology issues mentioned in Chapters 1-A, 1-B, and 1-C.

We reviewed edit checks for five systems and found areas for improvement in

four of those systems. Although no improvements in edit checks were noted for the Profiler System, there were issues with the accuracy of the data in that system (see Chapter 1-C). Edit check issues identified in the four systems tested are as follows:

### **Information Technology Systems**

- The Accredited Veterinarian Database is used to identify the veterinarians who are approved to conduct disease testing.
- The Laboratory System is used to record results related to the testing of specimens at the four Agency state-federal laboratories.
- The Permit Tracker System tracks the permits issued by the Agency to regulate the movement of livestock into Texas.
- The Work Measures System is a Web-based application that allows inspectors in area offices to report their weekly activities to the Agency's central office.
- Profiler is used to complement a federal database by tracking information on adjacent herds or premises as well as permits and markets.

- Certain fields, such as the date a veterinarian completed training for brucellosis testing, were not required (Accredited Veterinarian Database).
- Some fields did not have the ability to limit or reject invalid data such as dates that are in the future or letters in a field for identification numbers (Accredited Veterinarian Database, Laboratory System, Work Measures System).
- Some fields allowed an inappropriate combination of data such as recording that a slaughter test was conducted at a market rather than a slaughter establishment (Laboratory System, Permit Tracker, Work Measures System).

Improving these edit checks would help ensure the integrity of data in those electronic systems. This, in turn, could reduce the time the Agency currently spends performing manual reviews of the data. Ensuring the reliability of data

in these systems is important for the Agency in processing, managing, and monitoring its activities.

## Recommendations

The Agency should:

- Review the feasibility of configuring the systems so they can relate to one another.
- Strengthen edit checks in Permit Tracker, the Work Measures System, the Laboratory System, and the Accredited Veterinarian Database.

## Management's Response

*The agency agrees with this recommendation. One of the purposes of the Information Resources Steering Committee (IRSC) is to ensure the best use of available agency information resources; this includes prioritizing, planning, developing, and implementing improved and more efficient and powerful database systems. All new systems and subsystems are developed to integrate with other agency systems. IRSC and agency management continue to face the challenge of maintaining and improving agency information systems with limited resources, and in particular – no capital authority for potential or proposed major information system projects; therefore, the agency will seek capital authority as appropriate in its next Legislative Appropriations Request for fiscal years 2008-2009 to support implementation of SAO recommendations and the agency's IRSC plans.*

*As demonstrated by the Information Resources Steering Committee (IRSC) prioritization of agency information resource needs and projects, the agency agrees with this recommendation. Each of the mentioned systems is in the process of being evaluated for a replacement strategy. As IRSC and agency management develop sound improvement/replacement strategies, the agency will incorporate the SAO recommendations in the successor systems or applications that are developed and implemented. Replacement strategies are proving to be extremely challenging for the agency due to the fact that it has no capital authority to pursue replacement strategies or improvements as complex as recommended by the SAO. The agency will seek capital authority as appropriate in its next Legislative Appropriations Request for fiscal years 2008-2009 in order to better align its IRSC information resources improvement strategies with SAO recommendations.*

# Appendices

Appendix 1

## **Objectives, Scope, and Methodology**

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### **Objectives**

The objectives were to determine whether the Animal Health Commission (Agency) is:

- Delivering expected services as mandated by the Legislature and is in compliance with applicable statutes, rules, and regulations.
- Maintaining financial viability by properly and accurately managing, monitoring, and reporting agency cash and budgets.

### **Scope**

The audit scope included the Agency's surveillance, prevention, eradication, and control activities and related information systems. In addition, we reviewed the contracts that the Agency has with markets and veterinarians. Finally, we reviewed the revenue and expenditures of the Agency as well as payroll and human resources.

The scope of the audit included reviewing and analyzing data from fiscal year 2004 and the first two quarters of fiscal year 2005.

### **Methodology**

The audit methodology consisted of collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with Agency management and staff.

Information collected and reviewed included the following:

- Permits from the Profiler and Permit Tracker Systems
- Information from the Laboratory System on specimens processed by markets, slaughter establishments, and veterinarians
- Revenues and expenditures from the Uniform Statewide Accounting System
- Quarantine and hold-order data from the Profiler System
- Contracts with veterinarians and markets

- Federal reimbursement requests for tuberculosis, homeland security, brucellosis, and avian influenza
- Time code and travel amount information from the Work Measures System

### **Project Information**

This audit was conducted in accordance with generally accepted government auditing standards. Fieldwork took place from April to May 2005. The following members of the State Auditor's staff performed this audit:

- Ann E. Paul, CPA (Project Manager)
- Brandie Barr
- Stephanie Sherrill
- Bill Vanecek
- Gary Leach, MBA, CQA (Information System Audit Team)
- Leslie P. Ashton, CPA (Quality Control Reviewer)
- Verma L. Elliott, MBA (Audit Manager)
- Nicole M. Guerrero, MBA (Audit Manager)

## Additional Information on the Livestock Industry in Texas

As shown in Table 1, Texas livestock represents 12 percent of the total value and 10 percent of the total inventory of livestock in the United States. The total value of livestock in Texas as of January 1, 2004, was \$9.7 billion; as of January 1, 2005, it was \$10.8 billion.

Table 1

Texas and United States Annual Livestock Value per Head, Total Value, and Inventory				
Item	As of January 1, 2004		As of January 1, 2005	
	Texas	United States	Texas	United States
<b>All Cattle and Calves</b>				
Total value <sup>b</sup>	\$9,730,000,000	\$77,594,700,000 <sup>a</sup>	\$10,764,000,000	\$87,820,795,000
Value per head	\$700	\$818 <sup>a</sup>	\$780	\$916
Number of head <sup>b</sup>	13,900,000	94,859,000	13,800,000	95,874,000
<b>All Sheep and Lambs</b>				
Total value <sup>b</sup>	\$105,600,000	\$723,785,000 <sup>a</sup>	\$112,350,000	\$799,288,000
Value per head	\$96	\$119 <sup>a</sup>	\$105	\$130
Number of head <sup>b</sup>	1,100,000	6,082,000	1,070,000	6,148,000
<b>All Goats and Kids</b>				
Total value <sup>b</sup>	\$115,200,000	— <sup>c</sup>	\$136,250,000	— <sup>c</sup>
Value per head	\$96	— <sup>c</sup>	\$109	— <sup>c</sup>
Number of head <sup>b</sup>	1,200,000	— <sup>c</sup>	1,250,000	— <sup>c</sup>
<b>Angora Goats and Kids</b>				
Total value <sup>b</sup>	\$13,860,000	\$16,460,000 <sup>d</sup>	\$14,070,000	\$16,330,000 <sup>d</sup>
Value per head	\$63	\$63 <sup>d</sup>	\$67	\$67 <sup>d</sup>
Number of head <sup>b</sup>	220,000	260,000	210,000	243,000
<b>All Hogs and Pigs <sup>e</sup></b>				
Total value <sup>b</sup>	\$62,310,000	\$4,024,949,000 <sup>a</sup>	\$86,240,000	\$6,163,286,000
Value per head	\$67	\$67 <sup>a</sup>	\$88	\$102
Number of head <sup>b</sup>	930,000	60,074,000	980,000	60,424,000
<sup>a</sup> Revised <sup>b</sup> Rounded to the nearest thousand <sup>c</sup> Texas is the only state that publishes the value of all goats and kids. <sup>d</sup> Three states (Arizona, New Mexico, and Texas) make up the U.S. price. <sup>e</sup> As of December 1 of the previous year				
Source: U.S. Department of Agriculture, National Agriculture Statistics Service				

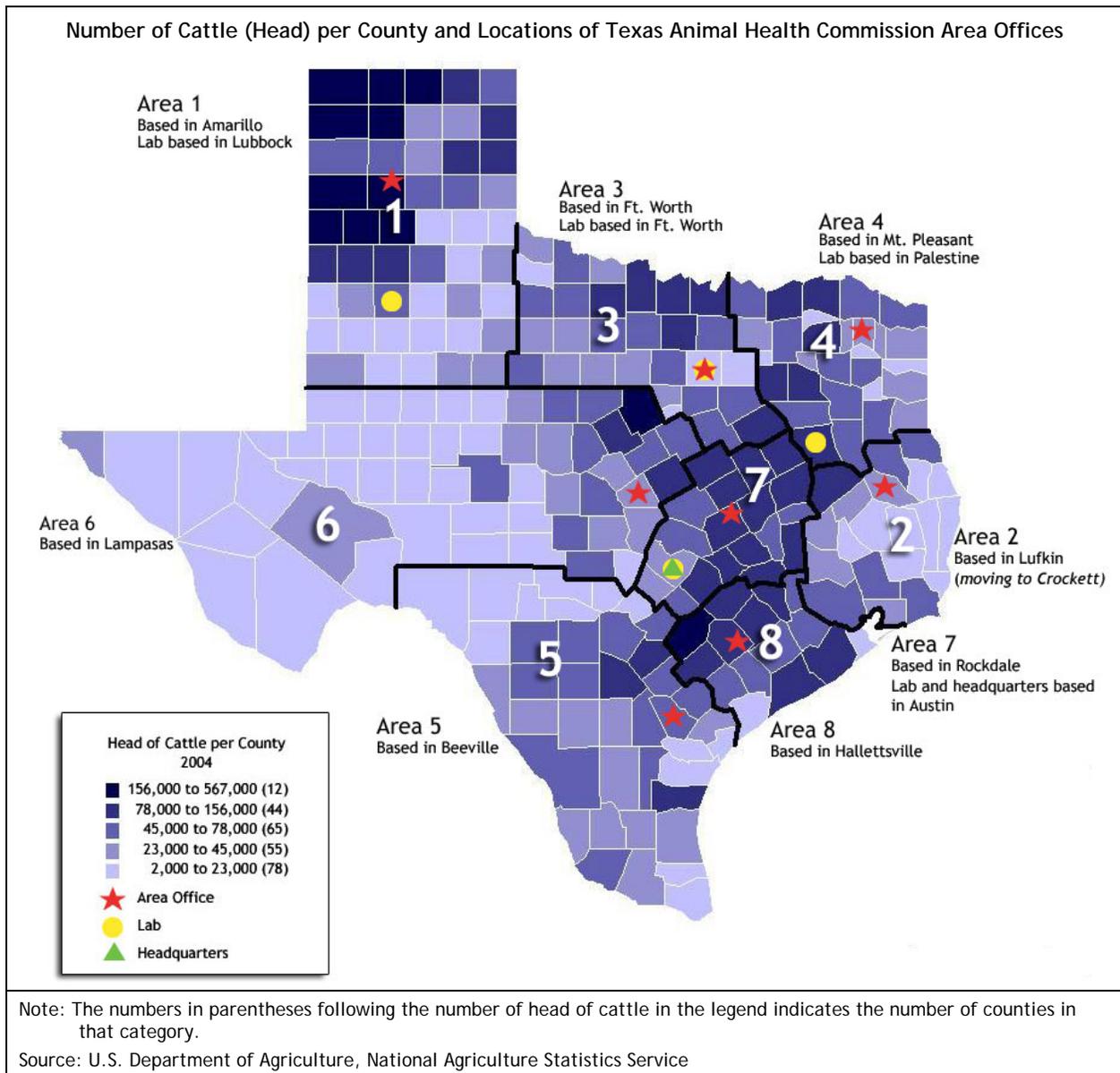
Table 2 shows the shipments of livestock into and out of Texas. From January 2004 to April 2005, approximately 4.3 million head of livestock entered Texas. The Agency must issue permits for all of the livestock entering Texas.

Table 2

Shipments of Livestock Into and Out of Texas By Species 2004–2005		
Shipment by Species	January–December 2004	January–April 2005
<b>Shipments In</b>		
Cattle and Calves: Other States <sup>a</sup>	2,337,595	668,135
Other Countries <sup>b</sup>	924,904	240,298
Dairy Cattle <sup>c</sup>	61,816	24,508
Sheep and Lambs <sup>d</sup>	56,994	12,044
<b>Shipments Out</b>		
Cattle and Calves: Other States <sup>e</sup>	1,265,446	369,199
Other Countries <sup>f</sup>	1,128	0
Dairy Cattle <sup>c</sup>	26,430	8,341
Sheep and Lambs <sup>g</sup>	107,396	17,683
<sup>a</sup> Shipments of cattle and calves from other states exclude animals for slaughter. <sup>b</sup> Shipments of cattle and calves from other countries include animals for slaughter. <sup>c</sup> Dairy herd replacement only; not included in “cattle and calves.” <sup>d</sup> Shipments of sheep and lambs reflect movement from other states only and include animals for slaughter. <sup>e</sup> Shipments of cattle and calves to other states exclude animals for slaughter. <sup>f</sup> Shipments of cattle and calves to other countries include animals for slaughter. <sup>g</sup> Shipments of sheep and lambs reflect movement to other states and countries and include animals for slaughter. Source: U.S. Department of Agriculture (USDA), National Agriculture Statistics Service; Texas Animal Health Commission; and the USDA, Animal Plant Health Inspection Service, Veterinary Services		

During 2004, there were 13.9 million head of cattle in Texas; 32 percent of those were in the Panhandle, which is under the jurisdiction of the Agency's Area 1 office. The rest of the cattle are spread fairly evenly throughout the state, except for Area 2, which has only 4 percent of the total cattle. Figure 1 shows the number of cattle per county. In addition, it shows the Agency's eight area offices, four state-federal laboratories, and the Austin headquarters.

Figure 1



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