

**TEXAS ANIMAL
HEALTH COMMISSION**

FISCAL YEAR 2014 INTERNAL AUDIT ANNUAL REPORT

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Texas Animal Health Commission
Austin, Texas
Internal Audit Annual Report
Fiscal Year 2014

I. Compliance with House Bill 16

Within 30 days of approval, the Texas Animal Health Commission will post the following information on its Internet Web site, unless excepted from disclosure under Chapter 552 of the Texas Government Code.

Beginning Fiscal Year 2014, the Texas Animal Health Commission (TAHC) will develop procedures for implementing House Bill 16 that include measures to ensure that within 30 days of approval, the following reports will be posted to their website:

- An approved fiscal year 2015 audit plan.
- A fiscal year 2014 internal audit annual report.
- Internal Audit Reports which include the following:
 - A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report;
 - A summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report

II. Planned Work Related to the Proportionality of Higher Education Benefits

This requirement does not apply to Texas Animal Health Commission as it is not a Higher Education Institution.

III. Internal Audit Plan for Fiscal Year 2014

The Commission approved the following audits for fiscal year 2014:

- Region 5 Office (Beeville, Texas) (**Report #2014-001: Dated: October 23, 2013**)
- Budgeting (**Report #2014-002: Dated: March 3, 2014**)
- Disaster Recovery and Business Continuity (**Report #2014: Dated: August 14, 2014**). The original approved audit plan included the audit of “**Travel.**” But due to a planned **Post Payment Audit** by the Comptroller’s Office, and to avoid any possible overlap, the TAHC Commissioners modified the audit plan replacing “**Travel**” with “**Disaster Recovery and Business Continuity.**”
- Follow-up on prior internal audit recommendations: (**Report #2014-004: Date: August 14, 2014**): Emergency Management Process: Policies and Procedures (April 17, 2008)

IV. Consulting Services and Non-audit Services Completed

The Internal Auditor did not perform any services which would be considered consulting engagements, as defined in the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*, and no non-audit services, as defined in *Government Auditing Standards, 2011 Revision*, Sections 3.33 – 3.58, were completed during fiscal year 2014.

V. External Quality Assurance Review (Peer Review)

A copy of the most recent External Quality Assurance Review Report is included on the following pages:

**REPORT ON THE
EXTERNAL QUALITY ASSURANCE REVIEW
OF THE
TEXAS ANIMAL HEALTH COMMISSION
INTERNAL AUDIT FUNCTION**

October 2013

PERFORMED BY

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**TEXAS ANIMAL HEALTH COMMISSION
INTERNAL AUDIT FUNCTION
EXTERNAL QUALITY ASSURANCE REVIEW – October 2013**

OVERALL CONCLUSION

Based on the information received and evaluated during this external quality assurance review, we conclude that the Texas Animal Health Commission's Internal Audit function "fully complies" with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing Standards*, the Code of Ethics contained in the Professional Practices Framework, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act (*Texas Government Code*, Chapter 2102).

//s// safolabi

October 23, 2013

SAMSON AFOLABI, CPA
External Quality Assurance
Reviewer

Date

**TEXAS ANIMAL HEALTH COMMISSION
INTERNAL AUDIT FUNCTION
EXTERNAL QUALITY ASSURANCE REVIEW – October 2013**

BACKGROUND

The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing*, U.S. Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Audit Act require that internal audit functions obtain external quality assurance reviews to assess compliance with standards and the Act and to appraise the quality of their operations. Government auditing standards require these reviews at least every three years. A periodic external quality assurance review, or peer review, of the internal audit function is an essential part of a comprehensive quality assurance program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of the quality assurance review was to evaluate the Texas Animal Health Commission's compliance with professional standards and the Texas Internal Audit Act. The scope of the review included all internal audit completed during the year ending August 31, 2013

The work performed during the review included:

- Review of the Texas Internal Auditing Act (Government Code, Chapter 2102).
- Review of the Institute of Internal Auditors (IIAs) International Standards for the Professional Practice of Internal Auditing.
- Review of the U.S Government Accountability Office (GAO) Government Auditing Standards, and the Code of Ethics contained in the Professional Practices Framework.
- Review and evaluation of audit working papers.
- Review of Internal Audit's policies and procedures, annual risk assessment, annual audit plan, and other relevant documents.

VI. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2015

| | <u>Budgeted Hours</u> |
|--|-----------------------|
| • Program Records Management | 130 |
| • Region 4 Office (Mt. Pleasant, TX) | 150 |
| • Information Systems: Business Continuity | 130 |
| • Follow-up on Prior Internal Audit Recommendations: | |
| ○ Region 7 Office – Rockdale, TX (<i>Report Dated: September 27, 2012</i>) | <u>75</u> |
| Total Hours | 485 |

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

1. Exposure Level
2. Complexity of Unit
3. Materiality of 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 Controls
- Changes in Systems and Processes

VII. External Audit Services Procured in Fiscal Year 2014

There were no External Audit Services for the fiscal year 2014 other than Internal Audit Services.

VIII. Reporting Suspected Fraud and Abuse

In accordance with the requirements of Section 7.09, and the General Appropriations Act (83rd Legislature, Conference Committee Report) Article IX, and Texas Government Code, Section 321.022, the Texas Animal Health Commission has posted information on how to report suspected fraud, waste or abuse of state funds on their website.

IX. Report Distribution

As required by Government Code Section 2102.0091 copies of this report should be filed with the following:

Governor's Office of Budget and Planning and Policy

Attn: Kate McGrath

Phone: (512) 463-1778

internalaudits@governor.state.tx.us

Legislative Budget Board

Attn: Ed Osner

Phone: (512) 463-1200

Ed.Osner@lbb.state.tx.us

State Auditor's Office

Attn: Internal Audit Coordinator

Phone: (512) 936-9500

iacoordinator@sao.state.tx.us

Sunset Advisory Commission

Attn: Ken Levine

Phone: (512) 463-1300

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