

STATE OF NORTH CAROLINA

NORTH CAROLINA VETERINARY MEDICAL BOARD

RALEIGH, NORTH CAROLINA

FINANCIAL RELATED AUDIT

OCTOBER 2014

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

EXECUTIVE SUMMARY

PURPOSE

The purpose of this audit was to identify service delivery improvements needed to help ensure the North Carolina Veterinary Medical Board's (Board) achieves its missions, goals, and objectives.

BACKGROUND

The Board was established to regulate the practice of veterinary medicine and surgery and safeguard the public from incompetent or unqualified practitioners. As of February 2014, the Board regulates more than 4,000 veterinarians, 1,100 veterinary technicians, and 1,200 veterinary practice facilities. In 2013, the Board collected about \$889,735 in revenue from license and renewal fees, examination fees, temporary permit fees, and facility inspection fees.

KEY FINDINGS

- The Board does not assess the severity of violations identified during facility inspections to determine if re-inspections or more frequent inspections of the facility are needed.
- The Board does not have a process to verify that continuing education hours reported by veterinarians and veterinary technicians are valid.
- The Board's method of publicizing the license status of and disciplinary actions against veterinarians and veterinary technicians does not allow the public easy access to the information.

KEY RECOMMENDATIONS

- The Board should develop formal procedures to assess the severity of violations identified during facility inspections. The assessment should be used to identify facilities that need to be re-inspected or inspected more frequently.
- The Board should verify the continuing education hours reported by licensees.
- The Board should make the licensing and disciplinary status of licensees available on its website to allow easy access by the public.



Beth A. Wood, CPA
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AUDITOR'S TRANSMITTAL

October 29, 2014

The Honorable Pat McCrory, Governor
Members of the General Assembly of North Carolina
Board of Directors, North Carolina Veterinary Medical Board
Thomas M. Mickey, Executive Director

This report presents the results of our financial related audit at the North Carolina Veterinary Medical Board. Our work was performed as authorized by *North Carolina General Statutes*, Chapter 147, Article 5A and was conducted in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit identified matters that are considered reportable under *Government Auditing Standards*. These items are described in the *Audit Findings and Responses* section of this report.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the ways listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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BACKGROUND

The North Carolina Veterinary Medical Board (the “Board”) was created under *North Carolina General Statute 90-182*, to regulate the practice of veterinary medicine and surgery in order to promote the public health, safety, and welfare by safeguarding the people of this State against unqualified or incompetent practitioners of veterinary medicine. Under *North Carolina General Statute 90, Article 11*, the Veterinary Practice Act, the Board is authorized to establish the criteria for licensing practitioners of veterinary medicine, including issuance, renewal, denial, suspension, or revocation of licenses to practice. Additionally, the Board is responsible for establishing continuing education requirements for veterinarians and technicians, inspecting veterinary facilities, and for investigating complaints against veterinarians.

The Board consists of eight members: six veterinarians, one veterinary technician, and one lay member. The Board meets at least four times a year to conduct business, set policy, and conduct disciplinary hearings against licensees. The Board employs seven employees to collect fees, issue and renew veterinarian and veterinary technician licenses, issue and maintain veterinary facility certifications, inspect veterinary facilities, and investigate violations of the North Carolina Veterinary Practice Act.

The Board’s activities are supported entirely by fees. According to the Board’s audit report for the year ended June 30, 2013, total annual revenues were \$955,468 and total annual expenses were \$1,004,984. The total cash balance as of June 30, 2013, was \$536,233.

As of February 2014, the Board regulates more than 4,000 veterinarians, 1,100 veterinary technicians, and 1,200 veterinary practice facilities.

AUDIT OBJECTIVES AND SCOPE

The audit objectives were to determine if the Board had adequate processes to ensure effective inspection practices, licensing practices, adequate public notification practices, and complaint investigation practices.

The audit scope included Board operations for the period July 1, 2013, through February 28, 2014.

METHODOLOGY

To accomplish the audit objectives, auditors interviewed personnel, observed operations, reviewed policies, and examined documentation, as considered necessary in the circumstances.

As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five interrelated components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

We conducted this audit in accordance with generally accepted government auditing standards applicable to performance audits. 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 audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT FINDINGS AND RESPONSES

1. BOARD DOES NOT USE SEVERITY OF VIOLATIONS TO SCHEDULE RE-INSPECTIONS

The North Carolina Veterinary Medical Board's (Board) inspection process does not evaluate the severity of identified violations to determine the frequency of subsequent inspections.

Failure to re-inspect or increase the inspection frequency could lead to the public using facilities with major violations, such as expired drugs, failure to safeguard controlled substances, or incomplete patient records. As a result, animals could be given ineffective drugs, controlled substances could be abused or stolen by staff or the public, and animal owners and/or the veterinarian may not have sufficient information to make decisions about future treatments or procedures.

The Board requires that inspections of facilities be conducted generally every two years.¹ Inspections include evaluations of cleanliness of the facilities, drug control processes, radiation safety and adequacy of record keeping. When violations are identified, the facility must provide, in writing, the actions taken to correct the violation.

However, the Board does not have a system to evaluate the severity of violations identified during the inspections. Consequently, the Board does not use the severity of violations as a factor when scheduling re-inspections. Instead, the Board reviews the corrective action letters from the facility but does not routinely verify the corrective actions until the next regularly scheduled visit. The Board sometimes re-inspects more often based on their experience and judgment, but the Board does not have defined criteria to guide its decision.

The National State Auditor Association's "Best Practices in Carrying out a State Regulatory Program" (NSAA Best Practices) states that a regulatory agency should develop criteria or categories to identify the seriousness of violations identified during inspections. Depending on the industry and severity of the violation, re-inspections may be required to ensure that the violations have been appropriately addressed. Lastly, NSAA Best Practices recommend that facilities be inspected frequently enough to provide reasonable safeguards to the public and should be risk-based² if possible.

Other states have developed a method to evaluate the severity of violations. For example, Virginia's Board of Veterinary Medicine classifies violations between major³ and minor and assigns points for the severity of the violation. Major violations are assessed between two to five points each, with repeat violations being assessed double points. Once the

¹ The Board's set timeframe of inspections is every two years for veterinary facilities. However, new veterinary facilities or facilities with a change in ownership or location are inspected prior to opening and also the following year.

² Best practices recommend that inspections be risk-based to divert resources to the areas that are most in need of oversight. A risk-based inspection process would involve assessing which facilities have the greatest risk of non-compliance and inspecting those facilities more often while inspecting low-risk facilities less often.

³ Major violations pose a serious threat to the health and welfare of the public and animals.

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points assessed equal or exceed 11 points, penalties are imposed; at 16 or more points monetary penalties and more frequent inspections are imposed.

A comparison of violations identified in the North Carolina inspections sampled to the major and minor violations categories in the Virginia inspection document identified the following violations that would possibly be considered major violations in Virginia and would result in more frequent inspections:

- a. Controlled substances were not stored in a secure location under lock and key.
- b. Expired drugs were not removed from working stock.
- c. Controlled substance log did not agree to inventory.
- d. Patient records did not include detailed examination results and treatment information.

Recommendation: The Board should develop formal procedures to assess the severity of violations identified during facility inspections to help ensure patients receive safe, quality care. This assessment should be used to identify facilities that need to be inspected more frequently and when re-inspections should be performed for major violations.

Board Response: The Board agrees. It will evaluate and develop a more formal assessment procedure that will augment its current subjective evaluations of violations and the scheduling of re-inspections.

I as Executive Director will follow the direction of the Board in developing this formal procedure. We anticipate that this project will be initiated during 2015.

The Board's complete response can be found in the Appendix.

2. BOARD DOES NOT VERIFY CONTINUING EDUCATION OF LICENSEES

The Board does not have a process to verify that the continuing education hours reported by licensees are valid.

If continuing education hours are not verified, licensees could be practicing veterinary medicine without obtaining the continuing education required to ensure that licensees are aware of changes in standards, technological advancements, and/or evolving diseases/illnesses. As result, patients may not be receiving the most current or best quality of care.

Annually, licensees are required to report the number of continuing education hours earned during the year to show that they have obtained at least the minimum hours required by regulations. Continuing education hours must be provided by approved sponsors or be from programs approved by the Board. Examples of course topics from approved sponsors include diagnostic procedures, surgery, veterinary ethics, hospital

AUDIT FINDINGS AND RESPONSES

design, and customer service. The Board ensures that the licensees report their hours, but the Board does not have a process to validate the hours reported. The Board stated that continuing education information entered by licensees is occasionally compared to attendance logs received from continuing education providers. However, the Board did not provide documentation to demonstrate the comparisons.

The Board recognizes this problem. In fact, the Board's December 2013 newsletter indicated that individuals reporting more continuing training than they actually received or reporting hours for courses they did not attend is a potential problem. The newsletter further stated that the Board would begin conducting random audits of reported continuing education. However, for the period July 1, 2013, through February 28, 2014, the Board had not designed procedures to conduct such audits.

Other boards validate the continuing education reported for license renewal. For example, State Boards of Veterinary Medicine in Georgia and Delaware, randomly select licensees for a continuing education audit. If selected for audit, each licensee must submit continuing education records for that license renewal period.

Recommendation: The Board should implement procedures to verify the continuing education hours reported by licensees.

Board Response: As noted, the Board agrees with the need to implement a procedure to audit and verify continuing education hours reported by licensees and registrants. The Board has begun to implement such a procedure and will continue to refine this process. I [the Executive Director] will be responsible for it.

The Board's complete response can be found in the Appendix.

3. PUBLIC DOES NOT HAVE EASY ACCESS TO LICENSING INFORMATION

The Board does not make information concerning licensees, including disciplinary actions, easily accessible to the public. As a result, the safety and welfare of animal patients could be threatened because the public may unknowingly select an unlicensed veterinarian.

State law requires each occupational licensing board to maintain and update, at least annually, a listing of all persons currently licensed. The Board is required to inform the public of the licensure status upon request. The Board maintains a listing of all persons it licenses as required by state law⁴ and will provide the information upon request. If the public wants to verify the license status of a veterinarian or veterinary technician, they must contact the Board by phone or in writing. For information about disciplinary actions, the public must submit the request in writing and then wait for the Board's response, which is typically sent by return mail.

⁴ NC General Statute 93B-3

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While the Board follows the requirements of the law, they could make this information more readily available to the public. The Board has elected not to provide this information on their website because in their opinion it would not provide a full understanding of the circumstances surrounding the disciplinary action. In other states, boards make licensee information available on their websites. For example, the Virginia Board of Veterinary Medicine's website provides an online search feature that includes the current license status and disciplinary actions taken against a licensee. The West Virginia Board of Veterinary Medicine's website provides an alphabetical listing of licensed veterinary professionals.

Recommendation: The Board should make the licensing and disciplinary status of licensees available on the Board's website to allow easy access by the public.

Board Response: The Board recognizes that the audit recommends that the public have easier access, likely through the Board's website, to the status of licensees and registrants and to the Board's disciplinary decisions.

The Board has not yet made a decision on this recommendation, and it will continue to evaluate it in the ensuing months. I [the Executive Director] anticipate a decision on this recommendation to be made sometime in 2015.

The Board's complete response can be found in the Appendix.

APPENDIX: BOARD RESPONSE LETTER

NORTH CAROLINA VETERINARY MEDICAL BOARD

Thomas M. McKay
Executive Director
George G. Hearn
Board Attorney



October 27, 2014

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Dear Ms. Wood:

This letter is the response of the N.C. Veterinary Medical Board to the draft of the Financial Related Audit prepared by the Office of State Auditor following its audit of the Board this past spring.

In your letter of October 13, 2014 that accompanied the draft, you requested that the Board respond with its agreement or disagreement to the audit findings and recommendations.

The Board's responses to the three respective findings and recommendations are as follows:

I. Board Does Not Use Severity of Violations to Schedule Re-Inspections

Response to Findings:

The initial audit finding is that the Board's veterinary facility inspection process does not evaluate the severity of identified violations to determine the frequency of subsequent inspections.

The Board's regular inspections of veterinary practice facilities are done with reference to specific written criteria. Violations are addressed with the owner of the facility until corrected.

The audit finding focuses on *re-inspections* of those facilities found to have had violations. As I wrote you October 1, the Board's current inspection process does evaluate the severity of identified violations, but this process is conducted through subjective evaluations of the inspection results and discussions between me and the Board inspectors.

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The draft correctly notes that the Board re-inspects more often based on experience and judgment, and that the Board does not yet have a procedure utilizing defined criteria to determine which facilities should be re-inspected and how often. The audit referred to a point system similar to that being used by the Virginia Veterinary Medical Board.

Response to Recommendation:

The audit recommendation is that the Board should develop a formal procedure to assess the severity of violations so veterinary practice facilities that need to be inspected more frequently can be identified.

The Board agrees. It will evaluate and develop a more formal assessment procedure that will augment its current subjective evaluations of violations and the scheduling of re-inspections.

I as Executive Director will follow the direction of the Board in developing this formal procedure. We anticipate that this project will be initiated during 2015.

2. Board Does Not Verify Continuing Education of Licensees

Response to Findings:

The second audit finding is that as of the period covered by the audit (July 1, 2013 through February 28, 2014), the Board did not have a formal process to verify the accuracy of continuing education credit hours reported by licensees and registrants.

The Board agrees with this finding but wishes to provide clarification. Last winter the Board decided to formally audit the reported continuing education credit hours of licensees and registrants. In May of this year I wrote an initial randomly-selected sample of 30 licensees requesting documentation of their attendance at or completion of the courses for which continuing education credits were submitted. By the end of June I had received responses, with documents, from all 30 licensees that verified the credits claimed. A second cycle of letters to licensees was sent this fall. We plan to continue this verification process.

Response to Recommendation:

As noted, the Board agrees with the need to implement a procedure to audit and verify continuing education hours reported by licensees and registrants. The Board has begun to implement such a procedure and will continue to refine this process. I will be responsible for it.

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3. Public Does Not Have Easy Access to Licensing Information

Response to Findings:

The third audit finding is that information concerning licensees and registrants, including disciplinary actions, is not easily accessible by the public.

As noted by the audit, the Board complies with State law by maintaining and updating, at least annually, a listing of all persons currently licensed and registered. The Board has always attempted to respond promptly to requests for the status of individuals licensed and registered. For clarification, in addition to responding to telephone and written requests for this information, the Board also responds to requests made by email.

The Board accepts requests for information concerning disciplinary actions by email as well as by regular mail. The Board's response consists of transmitting copies of disciplinary actions.

The chief aspect of this third finding is not that the Board fails to comply with the law, but that it could make the above information more easily accessible by the public. The audit cited the Virginia Board of Veterinary Medicine's website as an example of providing easier public access to such information.

In my October 1 email I explained that the Board had concluded that brief descriptive phrases, such as "letter of caution" or "letter of reprimand," were inadequate to explain a disciplinary action. Most Board disciplinary decisions are in response to written complaints from clients of veterinarians. The subject matter of these complaints generally involves allegations of deficiencies in the care of an animal. Many of these allegations raise technical medical issues. The Board generally communicates its disciplinary decisions through letters, usually several pages in length, explaining the issues and the decisions on those issues. Other formal disciplinary actions are set forth in Final Agency Decisions and Consent Orders.

Response to Recommendation:

The Board recognizes that the audit recommends that the public have easier access, likely through the Board's website, to the status of licensees and registrants and to the Board's disciplinary decisions.

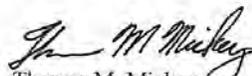
The Board has not yet made a decision on this recommendation, and it will continue to evaluate it in the ensuing months. I anticipate a decision on this recommendation to be made sometime in 2015.

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Ms. Beth Wood
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Thank you and please let me know if you have any questions.

Sincerely,


Thomas M. Mickey
Executive Director

TMM/dbb

cc: Board Members

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ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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