Texas Department of Licensing and Regulation

Internal Audit Advisory Report over Texas Board Veterinary Medical Examiners Significant Processes

July 29, 2024

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Commissioners of the
Texas Department of Licensing and Regulation
902 Colorado St.
Austin, TX 78701

This report presents the results of the audit procedures performed for the Texas Board Veterinary Medical Examiners (TBVME) as an administrative attachment to the Texas Department of Licensing and Regulation (TDLR) from January 5, 2024, through May 7, 2024, relating to the operations at TBVME.

The objectives of this internal audit advisory engagement were to evaluate the design of the TBVME's Operations processes as follows:

Licensing:
> Determine whether internal controls over Licensing processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-process and to ensure effective operations.

Inspections, Enforcement Administration, and Prosecution:
> Determine whether internal controls over Inspections, Enforcement Administration, and Prosecution processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.

Budget and Planning:
> Determine whether Texas Board of Veterinary Medical Examiners' internal controls over Budget and Planning processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.

Procurement:
> Determine whether internal controls over Procurement processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.

To accomplish these objectives, we conducted interviews and walkthroughs with key personnel involved in the operations' processes to gain an understanding of the current processes in place, examined existing supporting documentation, and evaluated the internal controls over the processes. We evaluated the existing policies, procedures, and processes in their current state.

The following report summarizes the findings and observations identified, risks to the Texas Board of Veterinary Medical Examiners, and recommendations for improvement.

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Austin, Texas
July 29, 2024

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Summary and Background

Texas Department of Licensing and Regulation (TDLR or the agency) is the Texas state agency responsible for licensing and regulating a broad range of occupations, businesses, facilities, and equipment. The Agency's mission statement is to *earn* the trust of Texans every day by providing innovative regulatory solutions for our licensees and those they serve.

Sunset Advisory Commission is an agency of the Texas Legislature that evaluates state agencies and makes recommendations to the legislature on the need for, performance of, and improvements to agencies under review. Agencies deemed by the Sunset Commission as not performing to standard, may be eliminated unless the Legislature passes a bill to continue it. Sunset staff evaluates the agency and issues recommendations for positive change. The Sunset Commission considers recommendations, hears public testimony, and decides on appropriate changes required of noncompliant agencies to return to compliance and those changes are informed to the Legislature. Sunset's mission statement is to enhance government accountability to the Legislature and people of Texas by objectively evaluating the need for and value of state programs and services.

Texas Board Veterinary Medical Examiners (TBVME) regulates veterinarians (DVMs), licensed veterinary technicians (LVTs), and equine dental providers (EDPs). During the 88th Legislative Session in 2023, the Sunset Advisory Commission recommended administratively attaching Texas Board Veterinary Medical Examiners to Texas Department of Licensing and Regulation for a four-year period, and the recommendation was adopted in Senate Bill 1414 (88-R), effective September 1, 2023, and scheduled to end on August 31, 2027.

During this period, TDLR will assist TBVME with policymaking and administrative oversight, guidance, and support. All day-to-day licensing and regulatory functions of the TBVME – such as new applications, renewals, and complaints – remain with the TBVME during the temporary attachment. TDLR staff are working closely with TBVME colleagues to identify opportunities to improve and enhance licensing, inspection, and enforcement policies and procedures. In addition, working with the Department of Information Resources to determine TBVME's licensing software needs, and to acquire and implement a new licensing system. During this four-year attachment, the TBVME Board will serve as a TDLR advisory Board. The Texas Commission of Licensing and Regulation is granted final enforcement and rulemaking authority during the attachment but cannot adopt a new rule related to scope of practice or standards of care unless the rule has been proposed by the advisory board.

After August 31, 2027, TBVME wis anticipated to return to its independent agency status. At any point during the next four years, TDLR can assign duties back to TBVME in advance of the scheduled end of the attachment. Prior to the 89th Legislative Session, TDLR will provide statuary recommendations designed to improve the TBVME's operations to the Sunset Advisory Commission and the standing committees with jurisdiction over TBVME. Also, not later than December 31, 2026, TDLR must conduct a review of all TBVME rules, giving license holders and the public the opportunity to provide meaningful input.

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Audit Objective and Scope

This audit advisory review focused on the Texas Board of Veterinary Medical Examiners (TBVME) operation processes in place. We reviewed the procedures in place for appropriate risk and regulatory coverage and compliance to ensure efficient and effective processes. The appendix to our report defines the risk ratings utilized in the report for the Observations identified. Key functions and sub-processes within the TBVME operations processes reviewed include:

Process	Sub-processes	Key functions
Licensing	Application Processing	• Timeliness and Accuracy of New Applicant Review • Application Routing and Processing • Verification that Candidate Meets Qualifications by Established Rules • Outlier Scenarios and usual Scenarios
	License Issuance	• Timing of License Issuance • Monitoring of Continuing Education
	Expiration	• Suspension of Licenses • Cancellation of Licenses
	Renewal	• Review of Existing Applicants
Inspections, Enforcement Administration, and Prosecutions	Inspections	• Field Inspections • Inspection Reporting
	Enforcement Administration	• Complaint Processing • Investigations
	Prosecutions	• Prosecutions • Appeals
Budget and Planning	Budgeting	• Annual Budget Development
	Forecasting and Planning Processes	• Budget Assumptions and Planning
	Review and Amendments	• Budget Review and Amendments
	Capital Expenditures Budget	• Capital Expenditures Budget Development
	Budget Monitoring	• Budget Reporting and Monitoring
Procurement	Purchase Orders	• Initiating and Approving Pos • Accuracy and Completeness • Unauthorized Pos and Modifications
	Bidding Processes and Awards	• Soliciting Bids and Proposals • Criteria Evaluation • Proper Justification and Approval
	Contract Negotiation	• Negotiation Process • Compliance
	Reporting	• Accuracy and Completeness • Access Controls • Cancellation of Licenses
	Vendor Management	• Vendor Selection Process • Delivery Verification • Vendor Account Maintenance

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Objective: Design of Internal Controls

Determine whether processes and internal controls over the TBVME operation processes are in place to ensure that consistent processes are implemented and designed effectively to address the risks within the associated sub-processes and to ensure effective operations.

Procedures Performed: We conducted interviews and walkthroughs with key personnel involved in the operation processes at TBVME to gain an understanding of the current processes in place, examining existing documentation, performing walkthroughs, and evaluating the internal controls over the process. We evaluated the existing policies, procedures, and processes in their current state. We documented our understanding of the processes and identified internal controls over the following sub processes:

- Licensing
- Inspections, Enforcement Administration, and Prosecutions
- Budget and Planning
- Procurement

We evaluated the controls identified against expected controls to determine whether the identified reoccurring procedures and internal controls are sufficiently designed to mitigate the critical risks associated with the operational sub-processes for TBVME operations. We identified unacceptable risk exposures due to gaps in the existing control structure as well as opportunities to strengthen the effectiveness and efficiency of the existing procedures. Additionally, we evaluated the existing control design to verify that the Texas Board Veterinary Medial Examiner's processes are designed to ensure compliance with relevant guidance and regulations.

The following information is presented for each area:
- Procedure
- Results of procedure
- Recommendations (if applicable)

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Licensing Review:

Licensing		
Process Area	**Control Coverage**	**Observations**
Timeliness and Accuracy of Review	5	
Application Routing and Processing	7	
Evaluation of Applications	14	**Observation 1** **Observation 2** **Observation 3** **Observation 4**
Timing of License Issuance	11	**Observation 5**
Review of Existing Applications	10	**Observation 6** **Observation 7** **Observation 8**
Reactivation and Reinstatement of Licenses	4	
License Expiration	4	**Observation 9** **Observation 10**
Total:	**55***	**10**

 *Duplicate Controls: The total number of control coverage is 55, but if duplication of controls was counted separately, then the total number of control coverage would be 71.

Application Processing:

Procedure: To analyze the timeliness and accuracy of review, we met with licensing specialists and discussed the processes for submitting license applications and reviewed protocols with a focus on measuring:

- Paper applications are being processed in a timely manner
- Online applications are processed in a timely manner
- Online and paper applications are available as needed to all new applicants
- Documentation collected from applicants is stored and retained in an appropriate manner

Results of Procedure: No findings identified.

Procedure: To analyze the application routing and processing, we met with licensing specialists and performed a walkthrough on application submissions and reviewed protocols with a focus on measuring:

- License applications are easily accessible to applicants
- Applications are up to date or compliant with license requirements
- License applications (online/virtual) are entered into the system automatically
- Applications are adequately tracked and monitored in the system

Results of Procedures: No findings identified.

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<u>Procedure:</u> To test the evaluation of applications within the Licensing team, we obtained documentation from TBVME pertaining to review protocols, and focused on:

- Portal account creation for first time applicants is clear and guided with instructions
- The applicant's identity is verified
- Applications are evaluated in accordance with State and program specific requirements
- Initial applications are voided for applicants who do not meet licensure requirements within a year
- Applicant's criminal history is adequately reviewed and referred to Enforcement, if necessary
- Criminal History Evaluation Letter are processed timely (within 90-days) for applicant who submitted appropriate forms and paid the fee
- Access to sensitive and criminal history information is appropriately restricted
- Applicant's military service is verified and credited towards meeting license requirements
- Fingerprints are on file or obtained for new applicants

<u>Results of Procedures:</u>

Observation 1 – High – Lack of Formal Policies and Procedures for Application Processing
The licensing team does not have centralized written procedures to document the expected procedures for performing the review of applications. There are informal notes created by different staff members to reference during review; however, these notes are not standardized or subject to review. Meetings are regularly held within the licensing team regarding the review of applications; however, these meetings do not reference standardized materials dictating the review processes.

Recommendation: The agency team should draft a formal set of procedures documenting the expectations for staff to perform the application evaluation process for new licensees, reapplication licensees, and all special case licensees and outliers. This set of policies and procedures should include steps for verifying applicant fingerprints and background checks. These procedures should be submitted to the Executive Director for review and approval. Once procedures are documented, they should be distributed to the Licensing team to set the expectations for application review procedures. This document should be subject to review annually. This should also be the core training material for new hires to the Licensing team.

Management Response: Management concurs. TBVME's new licensing system which went live on August 2, 2024, formalizes and standardizes many of the review processes needed to remediate this observation. TBVME and TDLR will be drafting, reviewing, and editing procedures to address any items not covered by the new licensing system.

Responsible Party: Licensing Supervisor
Implementation Date: April 1, 2025

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Observation 2 – Moderate – Fingerprint Verification
The files used to verify the completion of fingerprints contains limited information to validate the identity of applicants, and the file is stored in a format that allows data manipulation. The Director of Licensing and Compliance updates a Microsoft Excel file with the name and date of applicants who complete the fingerprinting process. This file is referenced by Licensing Specialists to verify that applicants have completed the fingerprinting process.

Recommendation: It is recommended that the Licensing Team add information to the listing to enhance the ability to positively identify applicants when verifying the completion of their fingerprints. Ideally, additional unique information, such as drivers license number, birth date, or the last for digits of the applicants social security number would be added in the validation file to allow the Licensing specialists to verify that applicants have completed the fingerprinting process.

Additionally, the file provided to the Specialists by the Director should be saved in a format that does not allow data manipulation. This could be achieved by password protecting the Excel file or by providing that file in a PDF format.

Management Response: Management concurs. TBVME's Licensing and Compliance Division will work to put procedures in place to remediate this observation.

Responsible Party: Director of Licensing and Compliance
Implementation Date: April 1, 2025

Observation 3- Low – Acceptance of Paper Applications
The licensing team does not currently accept paper applications. Applicants who submit paper applications directly to the board will have their application sent back along with a notification stating that the application must be completed via the self-service licensing portal on the TBVME website. By only accepting online applications, the Board is limiting the availability of applications to potential new applicants.

Recommendation: It is recommended that the Licensing team allow paper applications to be submitted. This has been allowed in the past, and will allow for an alternative for those in rural areas of the state where internet access may be limited. If there is a case where an applicant does not have access to a computer, staff can work with the applicant to fill out the application components internally based on the application materials.

Management Response: Management concurs. With the new licensing system in place, applying for a license by paper application is no longer available, and all applicants are directed to the new online portal. However, in necessary circumstances, a paper application will be furnished upon request.

Responsible Party: Licensing Supervisor
Implementation Date: August 2, 2024

Observation 4 - Moderate – Tracking and Monitoring of Applications

The Licensing Supervisor and team do not currently track or monitor applications through the review process. Application evaluations are generally completed within five days but have taken as long as 45 days in the past year. The evaluation completion varies between applications due to the dependence upon the applicant to submit all essential documentation.

Recommendation: It is recommended that the Licensing Team implement a tracking system to evaluate the aggregate length of application completion. This average completion of application reviews should be evaluated every 6 months and used as an indicator for the amount of time taken to process applications. This average time should be used to measure efficiency of application evaluation and, if necessary, whether additional staff need to be hired.

Management Response: Management concurs. The new licensing system tracks applications and will not allow incomplete application submissions.

Responsible Party: Licensing Supervisor
Implementation Date: August 2, 2024

License Issuance:

Procedure: To analyze the timing of license issuance, we met with licensing specialists and discussed the processes for issuing license and reviewed protocols with a focus on measuring:

- Licenses are issued to applicants who meet all State and program-specific requirements
- Application fees are paid by the applicant prior to the issuance of the license
- Special, temporary, emergency, and military licenses are issued in accordance with State requirements
- Criminal history is reviewed for special, temporary, emergency, or military license applicants
- Licenses are issued to license holders from another state with substantially equivalent requirements

Results of Procedure:

Observation 5 – Moderate – Lack of Secondary Review Procedures

Each Licensing Specialist is solely responsible for the full review of an application. There is a lack of secondary review procedures when processing new applications (including special, temporary, and emergency applications), renewal applications, reinstatement of expired licenses, and reactivate inactive licenses. Without secondary review procedures, licenses may be issued, reinstated, or reactivated inappropriately as the applicants file may be incomplete, clerically inaccurate, and/or out of compliance with State and program specific requirements.

Recommendation: It is recommended that the Licensing Team implement a process to perform a secondary review over applications for all license types to ensure accuracy and completeness during application processing. To avoid creating a bottleneck, we suggest a peer review system among the Licensing Specialists. Each applicant file should be signed off by a preparer and a reviewer. The core application materials that should require peer review

include applicant name, educational credentials, test scores, criminal background check, presence of fingerprints, and presence of licenses or disciplinary actions in other state governing bodies.

Management Response: Management concurs. The new licensing system performs automatic validation of inputted application data and uploaded supporting documents, negating the need for secondary review.

Responsible Party: Licensing Supervisor
Implementation Date: August 2, 2024

License Renewal:

Procedure: To analyze the review of existing applications, we met with licensing specialists and discussed the processes for reviewing existing licensees and reviewed protocols with a focus on measuring:

- License holders are notified of the license expiration 30 days prior to the expiration
- Renewals are processed in accordance with all State and program-specific requirements
- Renewal fees, including late fees, are assessed appropriately for all renewals
- Renewals are processed within a timely manner
- Continued education credits are reported to the Vet Board
- Continued education credits are reviewed or verified

Results of Procedure:

Observation 6 - Moderate – Inconsistent Deficiency Notification Format
The Board does not use a consistent format or template when notifying licensees of deficiencies in their renewal application. The InLumon system contains the capability to auto-generate an email of deficiencies identified during the license evaluation process. However, Licensing Specialists no not use the auto-generated email template as citing it as an inefficient method compared to the typed emails the Licensing Specialists currently send. Without a standard template for the Licensing Specialist to use, applicants may receive inconsistent treatment and communications. Additionally, essential information may be omitted unintentionally, impacting the applicant's experience.

Recommendation: It is recommended that the licensing team develop an email template to be used when notifying applicants of deficiencies within their applications to ensure that all applicants receive standardized communications. All critical information the application is missing should be provided within the notification. An alternative recommendation is for the licensing team to pursue integration of a new licensing platform that has the capability to send emails to applicants with a prewritten template that can merge the existing deficiencies per the application details in the system.

Management Response: Management concurs. The new licensing system sends automatic email reminders and deficiency notices to applicants and renewing licensees.

Responsible Party: Licensing Supervisor
Implementation Date: August 2, 2024

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Observation 7 – Low –Fee Waiver Procedures
Documentation and communication of the procedures to waive licensing fees are not clear and understood by agency personnel. Prior to the renewal or reinstatement of an expired license, all fees are required to be paid by the applicant, including late fees. Instances were identified where late charges were waived by a Licensing Supervisor due to timing differences in the receipt of the payment and its recognition in TBVME's InLumon system. Licensing Specialists were not aware of the procedures to waive late fees, causing misunderstanding.

Recommendation: We recommend the Licensing Team include a section of its future procedures document communicating the procedures for fee waivers. This section should clarify the policy on late fees for renewal, valid exceptions, and appropriate procedures for addressing valid exceptions. Additionally, access to waive any late fees within InLumon should be reviewed to ensure only appropriate personnel can authorize a fee waiver.

Management Response: Management concurs. The new licensing system will only allow the licensing supervisor to waive fees.

Responsible Party: Licensing Supervisor
Implementation Date: August 2, 2024

Observation 8 – Low – Retention and Tracking of Continued Education (CE) Credits
The Board does not retain evidence of CE credit completion and places the responsibility on the licensee to retain CE documentation. The Board may be able to utilize the Veterinary Continuing Education Tracking (VCET) system to retain support for completion of CE for those licensees who utilize the VCET system. However, licensees are not required to use the VCET system.

Recommendation: To ensure comprehensive tracking of CE credits, we recommend the TBVME consider requiring all licensees to utilize the VCET system to track the completion of CE. This would require an update to policies and a vote by the Vet Board. Alternatively, TBVME could include a new field in the licensing platform requiring applicants to upload documentation proving their participation in CE credits. This is still self-reported CE credits, but in this case the documentation can be verified by the Licensing Specialists.

Management Response: Management concurs. The new licensing system requires all licensees to upload proof of continuing education to their profiles either prior to or at the renewal process. All continuing education is verified by the licensing team to ensure compliance with renewal requirements.

Responsible Party: Licensing Supervisor
Implementation Date: August 2, 2024

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<u>Procedure:</u> To analyze the reactivation and reinstatement of licenses, we met with licensing specialists and discussed the processes for expired, inactive, retired, and cancelled license and reviewed protocols with a focus on measuring:

- Reinstatement of expired licenses are processed in accordance with all State and program-specific requirements
- Reactivation of inactive/retired licenses are processed in accordance with all State and program-specific requirements
- Reinstatement of cancelled licenses are processed in accordance with all State and program-specific requirements

<u>Results of Procedure:</u> No findings were identified.

Expiration:

<u>Procedure:</u> To analyze license expiration, we met with licensing specialists and discussed the processes in place for expired licenses and reviewed protocols with a focus on measuring:

- License holders are notified of an expired license
- System database reflects accurate license status (expired)

<u>Results of procedure:</u> No findings were identified.

<u>Procedure:</u> To analyze the cancellation of licenses, we met with licensing specialists and performed a walkthrough over the processes for cancelling licenses and reviewed protocols with a focus on measuring:

- License holders are notified of a cancelled license and cancellation occurs on an established schedule (at the 1-year delinquent date)
- System database reflects accurate license status (cancelled)

<u>Results of procedure:</u>

Observation 9 – Low – Manual Process to Update License Status
For licenses that have expired and are one year delinquent, the Licensing Supervisor must manually update the license status to "cancelled" within InLumon. This process could be subject to human error and may result in the system reflecting an incorrect license status. The status changes are made in batches monthly by the Licensing Supervisor. The Licensing Supervisor is the only staff member who performs for this process, without a secondary review.

Recommendation: It is recommended that TBVME consider updating the InLumon system to automatedly change the status from expired to cancelled upon the anniversary of the expired status.

Alternatively, on a monthly basis, TBVME could run a report identifying the licensees whose status should be changed to cancelled, and then perform a batch update of those licensees' status. A second report should be run to verify that the status was updated accurately and should be provided to a secondary reviewer to ensure updates are appropriately made.

Management Response: Management concurs. The new licensing system automatically updates the license status on specific dates.

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Responsible Party: Licensing Supervisor
Implementation Date: August 2, 2024

Observation 10 - Low – Notification of Expiring Licenses
There is currently not a process to notify licensees of upcoming license expirations. The InLumon system does not have the functionality to create a system-generated notification that is sent to licensees notifying them of their impending license expiration.

Recommendation: It is recommended that standardized communications be sent to licensees who have not renewed their license a month prior to the expiration of their license. Ideally, an automated email or letter would be generated by the InLumon system. However, the application may not have this functionality. Alternatively, a report could be run from the InLumon application and a mail merge could be completed to send notifications to licensees of upcoming expirations.

Management Response: Management concurs. The new licensing system automatically issues reminders and notices of license status changes.

Responsible Party: Licensing Supervisor
Implementation Date: August 2, 2024

Inspections, Enforcement Administration, and Prosecutions Review:

Inspections, Enforcement Administration, and Prosecutions		
Process Area	**Control Coverage**	**Observations**
Pre-Inspection Planning	10	**Observation 11**
Field Inspections	10	**Observation 12** **Observation 13** **Observation 14** **Observation 15** **Observation 16**
Inspection Reporting	7	
Complaints Processing	12	**Observation 17** **Observation 18** **Observation 19**
Investigations	5	
Prosecutions	24	**Observation 20** **Observation 21** **Observation 22**
Appeals	2	
Total:	**70***	**12**

*Duplicate Controls: The total number of control coverage is 70, but if duplication of controls was counted separately, then the total number of control coverage would be 76.

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<u>**Inspections**</u>

<u>Procedure:</u> To analyze the pre-inspections planning, we met with inspection specialists and performed a walkthrough over the planning process for inspection preparation and reviewed protocols with a focus on measuring:

- Equitable procedures are in place to assign inspections to inspectors
- TBVME inspections team have the IT assets necessary to support its procedures
- Inspectors have documentation of where inspections are needed across the state
- The data for Prescriptions Monitored Program (PMP) is checked ahead of inspections

<u>Results of Procedure:</u>

Observation 11 – High –Licensees Tracking and Reporting

The InLumon system does not have the ability to effectively maintain and report licensee information, including license status, inspection history, location, and affiliated clinics. The reporting within the system is limited and it does not have the ability to provide TBVME information for analyzing the detailed inspection information necessary for an effective function.

Recommendation: The TBVME should consider identifying a new licensing system that would provide the agency with the functionality and reporting capabilities necessary to efficiently operate. This system would ideally have the ability to integrate licensing, inspection and enforcement activities, as well as the ability to configure automated notifications to licensees and sufficient reporting capabilities. These reporting capabilities would allow the Inspections team to utilize reporting functions to identify licensees and all the clinics with which they are affiliated.

Management Response: Management concurs. The new licensing system maintains a more current and comprehensive listing of licensees. However, the new system currently does not have the capability to track inspections or enforcement complaints. The agency has worked with the system's vendor to assess the costs to build out that functionality and has requested the necessary funding in TBVME's Legislative Appropriations Request for the 2026-27 biennium. In the meantime, the Enforcement Division has built out their spreadsheets to include more comprehensive data about both inspections and complaints.

Responsible Party: Enforcement Director
Implementation Date: January 1, 2026

<u>Procedure:</u> To analyze field inspections, we met with inspection specialists and performed a walkthrough over the process of inspecting licensees and reviewed protocols with a focus on measuring:

- Regularity of schedule for field inspections for individual licensees
- Adequate notification to relevant parties about field inspections
- Inspection procedures around evaluating drug compliance are followed
- The inspections team uses standardized and consistent field inspection procedures

Results of Procedure:

Observation 12 – High –Licensee Inspection Frequency

Licensees are not inspected on the state mandated frequency of once every eight years. Through our review we identified licensees who do not have documentation of an inspection performed by the agency in as long as 30 to 50 years. Historically this backlog has been caused by a shortage of Inspectors at TBVME and a growing number of licensees state-wide.

Recommendation: The TBVME should review the last documented inspection for all licensees. This review should be reviewed to determine if the licensee is still in practice, and the prioritize the inspections based on the oldest outstanding inspection date beyond the eight-year requirement. After that list is prioritized for those licensees who are beyond the eight-year requirement, the prioritization should then be performing inspections with the oldest to newest inspection dates.

The TBVME should continue to use the strategy of grouping inspections by geographic location, where reasonable to minimize travel costs. However, this should not be emphasized over the prioritization of the oldest inspections. This prioritization should be reviewed at least annually.

Management Response: Management concurs. In FY 2024, the agency completed 1,630 compliance inspections. This is on track to inspect each licensee at least once every eight years, which is in line with Sunset Advisory Commission's recommendations.

Responsible Party: Enforcement Director
Implementation Date: August 31, 2024

Observation 13 – High – Historical Record of Drug Inventories

There does not appear to be a statewide policy mandating how frequent drug inventories are conducted in clinics. During clinic inspections, inspectors request the clinic's most recent drug inventory and supervise while the lead veterinarian counts the drug inventory. Without the history of drug inventory established, there is a lack of historical record consistency in clinics for measuring drug compliance. This can lead to unreliability in inventory tracking over time and higher risk of drug diversion going unaccounted for.

Recommendation: It is recommended that the TBVME consider updating the Texas Administrative Code Chapter 573 to include language mandating the frequency of drug inventory documentation within clinics, and the availability of such documentation for inspections. This policy should be phrased with the intention of preventing drug diversion.

Management Response: Management concurs. While Texas Administrative Code Sec. 573.50 requires licensees to maintain their drug inventories for a minimum of five years, it does not address how often these inventories need to be conducted in clinics. This will be reviewed and addressed through the rulemaking process.

Responsible Party: General Counsel
Implementation Date: December 31, 2026

Observation 14 - Moderate – Manual Drug Pattern Checks
TBVME inspectors reference the Prescriptions Monitored Program (PMP) database ahead of inspections, and look for certain patterns in prescribing behavior by the licensees to identify if there are indicators of drug diversion. Manually checking drug patterns does not comprehensively protect against the risk of drug diversion and is subject to human error and oversight.

Recommendation: It is recommended that there be a written framework for what patterns to look for in the PMP database ahead of inspections if automation is not possible. There is more assurance in manual processes if they are being informed by a standardized procedure. If automation within the PMP database is possible, it is recommended that the Inspectors identify the types of drugs patterns from a procedure. These procedures would be utilized to review the prescriptions in the database for a clinic of licensee. The ability to run a search in the database will shorten the time needed to conduct this part of the review and will provide more targeted results to support pattern detection.

Management Response: Management concurs. The Enforcement Division has drafted new policies and procedures for inspections, including guidance for using the PMP. The division will implement the new procedure manual at their annual training in December 2024.

Responsible Party: Enforcement Director
Implementation Date: December 31, 2024

Observation 15 - Moderate – Data Does not Include Clinics that Dispense Drugs In-house
The PMP only shows history for clinics that rely on external pharmacies to dispense drugs to clients. Clinics that are registered with the DEA to dispense prescription medications are not included in the PMP database. This elevates the risk of undetected drug diversion at these clinics.

Recommendation: It is recommended that the Inspections Team implement a process for reviewing prescription history at clinics authorized for DEA prescriptions that mirrors the process in place for PMP prescription review. If it is possible to export Drug ordering history and align that with an export of prescription history from a clinic, that would create a control for reviewing in-house prescriptions.

Management Response: Management concurs. This recommendation will be reviewed and discussed to ascertain a workable solution.

Responsible Party: General Counsel
Implementation Date: August 31, 2027

Observation 16 - Low – Number of Annual Inspections
The quantity of annual inspections are currently not estimated or evaluated to plan for the volume of activity measured by TBVME's performance measures. The current performance measure goal is 1,600 inspections per year to be performed by the agency, but no estimates have been calculated based on current staffing levels.

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Recommendation: It is recommended that TBVME utilize the annual inspection count for 2021-2023 and calculate an average number of inspections per inspector. This ratio should be utilized and an estimate projected based on the current number of inspectors to determine if the agency can accomplish the performance measure goals of 1,600 inspections per year. If the agency will fall short of the performance measure goal, then alternate steps may be necessary to achieve the goal.

Management Response: Management concurs. The Enforcement Division has implemented metrics to ensure that all inspectors are working together to meet the current performance measure target. In FY 2024, the agency exceeded the performance measure for compliance inspections.

Responsible Party: Enforcement Director
Implementation Date: August 31, 2024

Procedure: To analyze inspection reporting, we met with inspection specialists and discussed the process behind communicating and reporting performed inspections and reviewed protocols with a focus on measuring:
- Field inspections reports are processed timely
- Follow-up procedures with licenses are carried out in a timely fashion after inspections are complete
- Findings and communications are reported by inspectors

Results of Procedure: No findings identified.

Enforcement Administration

Procedure: To analyze the complaints processing, we met with enforcement administration specialists and discussed the process of handling complaints and reviewed protocols with a focus on measuring:
- Complaints are filed with Enforcement in a standardized and consistent way
- Enforcement has IT assets that support the need of investigations
- Internal complaints are addressed in a timely or effective manner
- External complaints are addressed in a timely and effective manner
- Investigator communications with respondents and complainants are clear or prompt
- Enforcement team conducts investigations of complaints that TBVME has jurisdiction over
- Complaints are withdrawn in a standardized way

Results of Procedure:

Observation 17 – Low – Prioritization and Resolution of Complaints
The current system used to prioritize and resolve complaints may lead to an over-emphasis on priority complaints, leaving lower-level complaints to be outstanding for long periods of time. The last review by the Sunset Commission identified that the average complaint resolution time was 464 days.

The Enforcement team uses a matrix to prioritize the severity of cases made in complaints. Level 1 complaints are the most severe, and level 3 complaints are the least severe. The goal

for Level 1 complaints is to be resolved on average within one to three months, whereas the goal for Level 2 and 3 complaints are resolved within six to 12 months.

Recommendation: TBVME should consider assigning personnel to resolve complaints at specific levels to ensure that high level priorities are the focus, but that all levels of priority are progressing towards resolution.

TBVME should consider, based on the volume and proportion of complaints between Levels 1, 2 and 3 to prioritize Level 1 and 2 complaints, but to allow a smaller number of staff to be dedicated to resolving Level 3 complaints in order to achieve the goal timelines of the agency.

Management Response: Management concurs. In FY 2024, the average resolution time for priority one cases was 72.2 days, priority 2 was 91.2 days and priority 3 was 53.3 days. While there is a disparity between the categories, the average times are all within the internally imposed deadline of 120 days for an investigation, and it is not felt the disparity currently warrants a change in internal policy. TBVME assumes any risk associated with this observation.

Responsible Party: Enforcement Director
Implementation Date: N/A

Observation 18 - Moderate - Centralized System to Process Complaints
The Enforcement department does not have a centralized system to process and track complaints, other than Microsoft Excel. Without a centralized system to process complaints, the Enforcement department does not have the capacity to run reports on complaint age, status, or resolution. The current tracking method is subject to data manipulation and error leaving the risk for complaints to be open for longer than the agency's performance measure goals.

Recommendation: In the long-term, TBVME should consider replacing the InLumon system with a system that includes complaint logging, prioritization and tracking. In the short-term, the agency should consider implementing procedures to password protect the spreadsheet, allowing a limited number of personnel to enter data in the list. The remainder of TBVME personnel should have view-only access to the spreadsheet.

Management Response: Management concurs. TBVME is seeking funding this legislative session to expand its database capabilities to include enforcement and compliance tracking. In the interim, the agency has built out its spreadsheets with more data points to better track and analyze relevant complaint data. The Enforcement Director will look into methods to better protect the data.

Responsible Party: Enforcement Director
Implementation Date: January 1, 2026

Observation 19 - Low – Retention Policy for Complaint Records

Although TBVME has retention policies for records related to complaints, we identified where Enforcement personnel were not aware of the current retention policies.

Recommendation: The agency should consider providing training and updates to personnel who participate in the Enforcement process to ensure that agency policies and procedures are known and followed.

Management Response: Management concurs. A training on records retention will be provided to all enforcement staff during their annual December training.

Responsible Party: Enforcement Director
Implementation Date: December 31, 2024

Procedure: To analyze investigations, we met with enforcement administration specialists and discussed the process behind performing investigations and reviewed protocols with a focus on measuring:
- Investigators leverage appropriate resources to complete investigations
- Investigative results are accurately or promptly documented

Results of Procedure: No findings identified.

Prosecutions

Procedure: To analyze prosecutions, we met with prosecution specialists and discussed the process, policies and procedures of prosecutions involving the legal team and reviewed protocols with a focus on measuring:
- The legal team uses IT assets that support their processes
- The legal team is receiving and executing cases from Enforcement in a standardized and effective way
- There is a standard protocol for evaluating cases that the legal team receives
- Informal conference procedures are followed correctly
- Violations are processed in a prompt and equitable way for all involved parties
- The legal team resolves informal cases in a standard way
- The legal team resolves formal cases in a standard way
- There is protocol in place for emergency cases that require immediate legal action
- There is protocol for disposal or closure of a case

Results of Procedure:

Observation 20 – High – Storage and Tracking of Case Artifacts

The agency does not have a centralized system or database that the Legal team uses to store and track case materials. The team currently uses a Microsoft Excel spreadsheet to track open cases. This has led to case materials being lost over time, inaccurate tracking of case statuses, the inability to run reports on case load, and inability to comprehensively monitor TBVME active cases due to limited information in the log.

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Recommendation: The agency should consider identifying and implementing a system that would allow the Enforcement and Legal team to track the status of and store documents related to open cases. Ideally this system would integrate with the licensing system. However, the agency could possibly leverage contracts or knowledge from other Texas licensing agencies to acquire systems utilized by other Texas agencies responsible for licensing other professions. In the short term, the agency should consider expanding the number of fields in the spreadsheet to track and monitor the cases at a more detailed level. This sheet should be password protected and a limited number of personnel should have the ability to update or change data in the log.

Management Response: Management concurs. Full case files are stored on an internal server and accessible, however the agency agrees that historical records were not kept as fastidiously as required. The legal division is working on building out their tracking spreadsheet and implementing security measures to make the data more robust and protected until the eventual buildout of the enforcement and compliance portions of the licensing database.

Responsible Party: General Counsel
Implementation Date: December 31, 2024

Observation 21 - Moderate – Allowable Number of Open Cases

A new policy for FY2024 establishes that investigators each have no more than 30 cases open at a time. However, this volume of case load has not been maintained in the past and there is limited information indicating that that level of activity can be maintained under the new policy. Caseloads may need to exceed the 30 case threshold.

Recommendation: TBVME should evaluate the historical caseload, compared to active licensees for the same period. This ratio of cases to active licensees could be applied to the current number of active licensees to anticipate an approximate average number of cases. This would assist the agency in determining if additional resources and budget are needed to pursue cases relevant to TBVME's jurisdiction. Otherwise, cases will need to be evaluated, prioritized and low priority cases will have to be set aside until higher priority cases can be resolved.

Management Response: Management concurs, TBVME has an internal goal for investigators to have no more than 30 open cases at a time, rather than a set policy. With our increased staffing levels beginning in FY 2024, the agency has been able to maintain that goal caseload for all investigators.

Responsible Party: Enforcement Director
Implementation Date: August 31, 2024

Observation 22 - Moderate – Standardized SOAH Methodology

TBVME does not have a standardized methodology for the Legal team to utilize when determining which cases will be pursued with the State Office of Administrative Hearings (SOAH). Currently if a respondent does not sign an agreed order within 30 days, TBVME uses this as a decision point to escalate the case to SOAH. However, the escalation of the case is inconsistent and not all cases with an unsigned order are elevated to SOAH.

Recommendation: It is recommended that the Legal team draft a decision matrix to use as a guide as to when cases are escalated to SOAH, Factors that should be included in the decision should include, but not be limited to, the level of infraction and/or penalty pursued by the Board, the nature of the case, and an evaluation of the Legal team as to the estimated outcome of the case. A more formalized guideline of case escalation will provide more continuity and assist the agency in allocating resources for the pursuit of legal cases.

Management Response: Management concurs. All cases without signed agreed orders are regularly reviewed and discussed by the legal team for potential filing at SOAH. These cases are evaluated based on quality of evidence, severity of infraction and settlement potential. They are then prioritized holistically based on the previous factors for filing with SOAH. The legal team will create a formalized matrix of these factors to include in their policies and procedures.

Responsible Party: General Counsel
Implementation Date: December 31, 2024

Appeals:

Procedure: To analyze the appeals, we met with prosecution specialists and discussed the process and reviewed protocols with a focus on measuring:

- The process for petition of reinstatement of licenses is executed according to pertinent regulations and policies
- There is a procedure to process requests to reopen investigations

Results of Procedure: No findings identified.

Budget and Planning Review:

Budget and Planning		
Process Area	**Control Coverage**	**Findings**
Annual Budget Development	10	**Observation 23**
Budget Assumptions and Planning	5	
Budget Review and Amendments	5	**Observation 23**
Capital Expenditures Budget Development	2	
Budget Reporting and Monitoring	10	
Total:	**32***	**1***

*Duplicate Controls: The total number of control coverage is 32, but if duplication of controls was counted separately, then the total number of control coverage would be 38. One finding in this workstream, but it presents more than once.

Procedure: Annual Budget Development processes were measured through a field interview with agency leadership and finance department and through review of budget agency budget materials with a focus on measuring:

- Annual Budget Development
- Budget Alignment
- Budget Documentation and Approvals
- Budget Risk Analysis

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Results of Procedures:

Observation 23 – High – Lack of Standard Operating Procedures
There is not a standard operation procedure in place for budget development.

Recommendation: A standard operating procedure should be considered for budget development for TBVME. To cover TBVME's budget needs, there are some items that should be considered for inclusion in this standard operating procedure. To adhere to local Texas laws and regulations, TBVME should review and consider requirements of Texas Constitution Article III – Appropriations and Revenue, Texas Government Code Title 10 - General Government; Texas Administrative Code Title 34 - Public Finance; Texas Budget and Accounting Act; and Appropriations Acts passed by the Texas Legislature.

Other items that ought to be considered when developing a standard operating procedure for budget development should include considerations of a budget calendar including submission deadlines; description of the which roles should be involved in budget development; consideration of agency goals and legislative mandates/priorities for the agency; budget format details as mandated by the Texas Legislative Budget Board. The budget standard operating procedure should include protocol for developing a budget including steps for revenue estimation calculations; agency expenditure analysis; documentation for addressing budget justification; and how the budget will be reviewed and approved within the agency before being submitted to the legislature.

Management Response: Management concurs. TBVME will work with TDLR staff to adopt and implement standard operating procedures for budget development ahead of the next biennium.

Responsible Party: Finance Director
Implementation Date: January 1, 2026

Procedure: TBVME's budget planning processes were measured through a field interview with agency leadership and finance department leadership and through review of TBVME budget forecasting tools and historical budget review with a focus on measuring:
- Budget Assumptions
- Financial Plan Alignment
- Long-Term Financial Planning
- Financial Modeling

Results of Procedures: No findings identified.

Procedure: TBVME's budget review and amendment processes were measured through a field interview with agency leadership and finance department leadership and through review of TBVME budgets with a focus on measuring:
- Budget Amendment
- Revision Criteria
- Amendment Approvals
- Amendment Communication

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Results of Procedures:

Observation 23– High – Lack of Standard Operating Procedures

Procedure: TBVME's Capital Expenditures Budget processes were measured through a field interview with agency leadership and finance department leadership with a focus on measuring:
- Capital Expenditures Budget Development

Results of Procedures: No findings identified.

Procedure: TBVME's budget monitoring processes were measured through a field interview with agency leadership and finance department leadership and through review of TBVME budget reporting tools and communication protocols with a focus on measuring:
- Budget Reporting
- Budget Communication
- Budget Variances
- Budget Performance Metrics
- Budget Monitoring Risks

Results of Procedures: No findings identified.

Procurement Review:

Procurement		
Process Area	**Control Coverage**	**Findings**
Initiating and Approving POs	2	**Observation 24**
Accuracy and Completeness	4	
Unauthorized POs and Modifications	4	
Soliciting Bids and Proposals	2	
Criteria Evaluation	1	
Proper Justification and Approval	2	
Negotiation Process	1	
Compliance	1	
Accuracy and Completeness	5	
Access Controls	3	
Cancellation of Licenses	2	
Vendor Selection Process	3	
Delivery Verification	4	
Vendor Account Maintenance	2	
Total:	**19**	**1**

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<u>Procedure:</u> TBVME's current purchase orders for this fiscal year were reviewed and an interview was held with TBVME's procurement team to understand the processes around purchasing with a focus on measuring:

- Initiating and Approving Purchase Orders
- Accuracy and completeness of purchase orders
- Unauthorized purchase orders and modifications

<u>Results of Procedures:</u>

Observation 24 - Low -Specific Thresholds for Oversight
There are not specific thresholds that require approval from higher levels of management to ensure proper oversight and control with authorized purchases.

Recommendation: TBVME could create a delegation of authority matrix to establish different cost points that can be purchased without higher management authorization. This matrix can be written into existing procurement standard operating procedures.

Management Response: Management concurs. All purchases currently require the approval of the requesting employee, the finance director and the executive director. Given the size of the agency, it is felt that the current levels of review and approval ensure compliance with standard purchasing protocol. TBVME assumes any risk associated with this observation.

Responsible Party: Finance Director
Implementation Date: N/A

<u>Procedure:</u> TBVME's current bidding processes and award procedures were reviewed through review of any appropriate standard operating procedures and supporting agency documentation. Additionally, an interview was held with TBVME's procurement team to understand the processes around bidding and award with a focus on measuring:

- Soliciting bids and proposals
- Criteria evaluation
- Proper justification and approval

<u>Results of Procedures:</u> No findings identified.

<u>Procedure:</u> TBVME's current contract negotiation procedures were reviewed through review of any appropriate standard operating procedures and supporting agency documentation. Additionally, an interview was held with TBVME's procurement team to understand the processes around contract negotiation with a focus on measuring:

- Negotiation Processes
- Compliance

<u>Results of Procedures:</u> No findings identified.

<u>Procedure:</u> TBVME's current bidding processes and award procedures were reviewed through review of any appropriate standard operating procedures and supporting agency documentation. Additionally, an interview was held with TBVME's procurement team to understand the processes around bidding and award with a focus on measuring:

<u>Results of Procedures:</u> No findings identified.

Additional Procurement Observations:

Observation 25 - Moderate- Purchasing Card Reviews
TBVME does not periodically review cardholder usage and transactions to identify the necessity for issuing cards, irregularities or potential misuse.

Recommendation: It is recommended that TBVME consider implementing periodic reviews of the purchasing card activity to identify whether issued cards are regularly used, or could be recalled because they are no longer necessary. Additionally these reviews could include transactional analysis to detect potentially fraudulent activities, unusual spending patterns, or policy violations. These monitoring capabilities should be developed based on frequency and volume of use.

Management Response: Management concurs. Annual reviews of purchasing card usage and transactions will be implemented.

Responsible Party: Finance Director
Implementation Date: December 31, 2024

Conclusion

Based on our evaluation, the Operations process has procedures, practices, and controls in place designed to mitigate risks within significant processes at the Texas Board Veterinary Medical Examiners (TBVME). However, we identified opportunities to strengthen processes, formalize procedures performed, and improve effectiveness of controls within the Operations process at the TBVME.

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Appendix
Report Ratings

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of TBVME
- TBVME objectives and goals are being met
- The activity under review is functioning in a manner which ensures:

  - Reliability and integrity of financial and operational information
  - Effectiveness and efficiency of operations and programs
  - Safeguarding of assets
  - Compliance with laws, regulations, policies, procedures and contracts

Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High   High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten TBVME's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of TBVME or beyond a single function or department
- Potential material impact to operations or TBVME's finances
- Remediation requires significant involvement from TBVME management

Moderate   Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of TBVME
- Impact could be felt outside of TBVME or across more than one function of the Agency
- Noticeable and possibly material impact to the operations or finances of TBVME
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior TBVME management to be updated

Low   Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten TBVME's strategic priorities
- Impact is limited to a single function within the Agency
- Minimal financial or operational impact to TBVME
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk