

# Report Highlights

## Why DLA Performed This Audit

The purpose of the audit was to determine if there is a need for the board's continued existence and whether its termination date should be extended. The board is set to sunset June 30, 2017, and will have one year from the date to conclude its administrative operations.

## What DLA Recommends

1. The board chair should review the annual report for accuracy and completeness before final submission to the Department of Commerce, Community, and Economic Development.

# A Performance Audit of the Department of Commerce, Community, and Economic Development, Board of Veterinary Examiners (board)

March 18, 2016

Audit Control Number 08-20094-16

## REPORT CONCLUSIONS

The board is serving in the public's interest by effectively licensing and regulating veterinarians and veterinary technicians. The board monitors licensees and works to ensure only qualified individuals practice. Furthermore, the board develops and adopts regulations to improve the veterinarian and veterinary technician occupations in Alaska.

In accordance with AS 08.03.010(c)(22), the board is scheduled to terminate on June 30, 2017. We recommend that the legislature extend the board's termination date to June 30, 2025.

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# ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Juneau, AK 99811-3300  
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June 13, 2016

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Title 24 and Title 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Veterinary Examiners and the attached report is submitted for your review.

DEPARTMENT OF COMMERCE, COMMUNITY,  
AND ECONOMIC DEVELOPMENT  
BOARD OF VETERINARY EXAMINERS  
SUNSET REVIEW

March 18, 2016

Audit Control Number  
08-20094-16

The audit was conducted as required by AS 44.66.050(c) and under the authority of AS 24.20.271(1). Per AS 08.03.010(c)(22), the Board of Veterinary Examiners is scheduled to terminate on June 30, 2017. We recommend that the legislature extend the board's termination date to June 30, 2025.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Fieldwork procedures utilized in the course of developing the findings and recommendations presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in black ink, appearing to read "Kris Curtis".

Kris Curtis, CPA, CISA  
Legislative Auditor

## ABBREVIATIONS

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AAC	Alaska Administrative Code
ACN	Audit Control Number
AS	Alaska Statute
board	Board of Veterinary Examiners
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
DCBPL	Division of Corporations, Business and Professional Licensing
DCCED or department	Department of Commerce, Community, and Economic Development
DLA	Division of Legislative Audit
DVM	Doctor of Veterinary Medicine
FY	Fiscal Year

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# ORGANIZATION AND FUNCTION

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## Board of Veterinary Examiners

The Board of Veterinary Examiners (board) was established for the purpose of regulating the practice of veterinary medicine in Alaska under AS 08.98.010. The board is made up of five members. State law requires four board positions be filled by licensed veterinarians that have been engaged in the practice of veterinary medicine in the state for at least five years prior to appointment. The remaining position is to be filled by an individual from the general public.

The board regulates the profession of veterinary care in the state by examining applicants and approving the issuance of licenses to qualified applicants, establishing or amending regulations necessary to enforce state statutes, and conducting disciplinary proceedings in accordance with law.

Applicants for a veterinary license are required to pass the North American Veterinary Licensing Examination and a state written exam which covers specific Alaska laws of veterinary practice.

The board may issue licenses to veterinarians or veterinary technicians. Additionally, the board may issue courtesy licenses to veterinarians licensed in other states, or Canada, to perform limited veterinarian functions under the supervision of state licensed veterinarians at special events, such as the Iditarod.

## Department of Commerce, Community, and Economic Development

The Department of Commerce, Community, and Economic Development, Division of Corporations, Business, and Professional Licensing provides administrative and investigative assistance to the board. Administrative assistance includes budgetary services and functions such as collecting fees, maintaining files, receiving and issuing application forms, and publishing notices of examinations and meetings.

### Exhibit 1

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#### Board of Veterinary Examiners as of March 31, 2016

Teresa L. Beck, D.V.M.  
*Veterinarian*

Rachel K. Bergartt  
*Veterinarian*

James H. Hagee  
*Veterinarian*

Tamara Rose, D.V.M.  
*Veterinarian*

Hal Geiger  
*Public Member*

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Alaska Statute 08.01.065 requires the department to adopt regulations that establish the amount and manner of payment of application fees, examination fees, registration fees, permit fees, and investigative fees.



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# REPORT CONCLUSIONS

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In developing our conclusion regarding whether the Board of Veterinary Examiner's (board) termination date should be extended, board operations were evaluated using the 11 factors set out in AS 44.66.050(c) (included as Appendix A of this report). Under the State's "sunset" law, these factors are to be considered in assessing whether an entity has demonstrated a public need for continuing operations.

Overall, the audit found the board is serving in the public's interest by effectively licensing and regulating veterinarians and veterinary technicians. The board monitors licensees and works to ensure only qualified individuals practice. Furthermore, the board develops and adopts regulations to improve the veterinarian and veterinary technician occupations in Alaska.

In accordance with AS 08.03.010(c)(22), the board is scheduled to terminate on June 30, 2017. We recommend that the legislature extend the board's termination date to June 30, 2025.

The audit makes one recommendation to improve board operations. (See Recommendation 1.)

Detailed report conclusions are as follows.

## **The board operated in the public interest and does not duplicate the efforts of other entities.**

Generally, board operations were conducted in an effective manner. From July 1, 2012, through February 15, 2016, the board held at least three meetings each year, as required by statute. A review of seven board meetings held during the audit period found that a quorum was consistently achieved, meetings were public noticed timely, and each meeting allowed time for public comment. Furthermore, no long-term vacancies were identified.

Overall, the audit determined investigations were handled timely. There were 69 complaints open or opened between July 1, 2012, and February 15, 2016. Eighteen investigations resulted from the complaints, of which 14 were closed during the period. The remaining four open investigations were open for less than eight months as of February 2016.

The board was active in proposing regulatory changes, including:

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- Regulations 12 AAC 68.010 and .045 changed examination titles and score release requirements for veterinary licensure by examination and veterinary temporary licensure. The first regulation change brought the state in line with national changes to exam titles. The second clarified the minimum passing score required on the state exam to receive a veterinary temporary license.
  - Regulation 12 AAC 68.310 expanded the period to obtain job training for veterinary technicians. The regulation requires certification that the applicant worked at least 700 hours a year for two of the three years immediately preceding application; one of the years of experience must be obtained in Alaska.<sup>1</sup>
  - Two regulatory changes improved and increased veterinary services in bush communities. Regulation 12 AAC 68.041 added spay-and-neuter clinics to the courtesy license definition of special event. This allows visiting veterinarians to provide spay-and-neuter services in bush communities. Additionally, regulation 12 AAC 68.300 amended veterinary technician duties to allow licensed veterinary technicians, employed by a licensed veterinarian, to receive guidance remotely while providing services in communities with no established veterinary practice.

The audit also determined that the board does not duplicate the efforts of another governmental agency or the private sector.

## **The board licensed businesses and individuals according to statutes and regulations.**

As part of the audit, a sample of 25 license applications was tested for compliance with statutes and regulations. All 25 licensees were found to have been licensed in compliance with law. However, the audit found instances where information entered into the licensing database contained errors. Specifically, one file had a birthdate transposed resulting in an incorrect year, and two other files had errors in the licensees' addresses; the errors could result in difficulty identifying or contacting the licensees.

From FY 13 through FY 15, the board issued 393 new licensees. (See Exhibit 2.) As of February 15, 2016, there were 670 licensed veterinarians

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<sup>1</sup>The regulation previously required no experience in Alaska and the two years of experience had to be completed within the two years preceding the application.

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**Exhibit 2**

<b>Board of Veterinary Examiners Licenses Issued FY 13 through FY 15 and Total Licenses as of February 15, 2016</b>				
	<b>FY 13</b>	<b>FY 14</b>	<b>FY 15</b>	<b>Total as of Feb. 15, 2016</b>
Veterinarian	29	22	20	367
Veterinarian Courtesy License	52	52	55	5
Veterinarian Student Permit	4	5	2	1
Veterinarian Temporary License	2	3	-	-
Veterinarian Temporary Permit	8	7	4	2
Veterinary Technician	31	45	52	295
<b>TOTAL</b>	<b>126</b>	<b>134</b>	<b>133</b>	<b>670</b>

Source: Compilation of counts from DCBPL database information.

and veterinary technicians. This is an increase of approximately 57 percent when compared to the prior sunset audit, which reported a license count of 426 (veterinarian licenses totaled 296 and veterinarian technicians totaled 130) at June 30, 2008.<sup>2</sup>

**Licensing fees should be increased to cover the cost of board operations.**

Primarily, the board receives its revenue from license and renewal fees. Renewals are conducted on a biennial basis, creating a two-year cycle in board revenues. As shown in Exhibit 3, the board had a \$25,828 deficit at February 29, 2016, the second year of its biennial licensing period. Fee levels were lowered in FY 13 to address a surplus and were not changed for the FY 15 licensing cycle, which will result in a deficit. Per DCBPL management, fee levels for the board will be reassessed at the end of FY 16.

<sup>2</sup>Department of Commerce, Community, and Economic Development Board of Veterinary Examiners, Sunset Audit, September 22, 2008 (ACN 08-20059-08).

**Exhibit 3**

<b>Board of Veterinary Examiners Schedule of Revenues and Expenditures FY 13 through February 29, 2016 (Unaudited)</b>				
	FY 13	FY 14	FY 15	July 1, 2015 - February 29, 2016
Total Revenue	138,120	34,545	145,200	24,550
Direct Expenditures				
Personal Services	80,633	90,324	70,034	43,801
Travel	2,683	2,089	2,700	1,016
Contractual	5,282	3,207	9,495	379
Supplies	12	35	68	-
Total Direct Expenditures	88,610	95,655	82,297	45,196
Indirect Expenditures*	41,875	42,137	45,750	27,917
Total Expenses	130,485	137,792	128,047	73,113
Annual Surplus (Deficit)	7,635	(103,247)	17,153	(48,565)
Beginning Cumulative Surplus (Deficit)	101,194	108,829	5,582	22,735
Ending Cumulative Surplus (Deficit)	108,829	5,582	22,735	(25,828)

Source: DCBPL management.

\*Indirect expenditures are estimated based on actuals as of February 29, 2016, using the prior year allocation percentage for the board.

**Annual reports  
contained inaccurate  
information.**

The audit found that four of four annual reports inaccurately reported board activities. Alaska Statute 08.01.070(10) requires the board to submit an annual performance report to the department stating the board's "accomplishments, activities, and needs" before the end of the fiscal year. The audit found annual board reports inaccurately reported the status of prior year sunset audit recommendations. (See Recommendation 1.)

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## FINDINGS AND RECOMMENDATIONS

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The prior sunset audit made two recommendations:

- The Division of Corporations, Business and Professional Licensing (DCBPL) director, in conjunction with the Board of Veterinary Examiners (board), should review licensing fees as provided by statute and consider decreasing fees.
- The Office of the Governor should fill vacant seats on the board in a timely manner.

The prior audit recommendation to decrease fees was addressed by a fee decrease in FY 13. The prior audit recommendation to fill vacant board seats in a timely manner is also resolved as significant board vacancies were not identified during the scope of the audit.

This audit makes one new recommendation.

**Recommendation 1:  
The board chair should review the annual report for accuracy and completeness before final submission to the Department of Commerce, Community, and Economic Development.**

Board annual reports submitted during the audit period included incorrect information regarding the prior sunset audit findings. Four of four annual reports reviewed (FY 12 through FY 15) included the prior recommendations of the Board of Dental Examiners rather than those of the Board of Veterinary Examiners.

Alaska Statute 08.01.070(10) requires the board to submit an annual report that includes the board's "accomplishments, activities, and needs" prior to the end of the fiscal year. Accomplishments of the board include actions taken to resolve prior audit findings.

The process for submitting the annual report contributed to the errors. The board did not include the resolution status of the prior year findings in the annual reports submitted to the department. Rather than returning the report to the board chair for amendment, DCBPL licensing examiner erroneously included information from a different board for which they were also responsible. The examiner then submitted the report on the board's behalf without review by the board chair. The board was unaware the initial report was altered. The information was incorrectly reported in subsequent years because of a lack of review.

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By incorrectly reporting the status of prior recommendations, interested parties were misinformed of board accomplishments with regard to resolving prior audit findings.

We recommend the board chair review the annual report for accuracy and completeness before final submission to the department.

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# OBJECTIVES, SCOPE, AND METHODOLOGY

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In accordance with Title 24 and 44 of the Alaska Statutes, we have reviewed the activities of the Board of Veterinary Examiners (board) to determine if there is a demonstrated public need for its continued existence and if it has been operating in an efficient and effective manner.

As required by AS 44.66.050(a), this report shall be considered by the committee of reference during the legislative oversight process in determining whether the board should be reestablished. Currently, under AS 08.03.010(c)(22) the board will terminate on June 30, 2017, and will have one year from that date to conclude its administrative operations.

## Objectives

The four central, interrelated objectives of our report are:

1. Determine whether the termination date of the board should be extended.
2. Determine whether the board is operating in the public's interest.
3. Determine whether the board has exercised appropriate regulatory oversight of licensed veterinarians and veterinary technicians.
4. Evaluate the status of recommendations made in the prior sunset audit.

## Scope

The assessment of operations and performance of the board was based on criteria set out in AS 44.66.050(c). The state sunset criteria was used to assess whether the board has demonstrated public need for continuing operations. The audit reviewed the board's activities from July 2012 through February 15, 2016. Financial information is presented, unaudited, from July 2012 through February 2016.

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## Methodology

During the course of the audit, the following were reviewed and evaluated:

- The prior sunset audit report (ACN 08-20059-08) to identify issues affecting the board and to identify prior sunset audit recommendations.
- Applicable statutes and regulations to identify board functions and responsibilities, determine whether statutory or regulatory changes enhanced or impeded board activities, and ascertain if the board operated in the public interest.
- The state's online public notice system to verify the board meetings and regulation changes proposed by the board were adequately public noticed.
- Board meeting minutes and annual reports to gain an understanding of board proceedings and activities, goals and objectives, the nature and extent of public input, whether a quorum was maintained and whether board vacancies impeded operations.
- Expenditure, revenues, and fee levels for the board to determine whether fee levels covered the costs of operations.
- Investigative cases to assess the efficiency of the investigative process.
- Various state and news related websites to identify complaints against the board or other board related concerns.
- Various state and federal websites containing information for potential duplication of board activities.
- Internal controls over the licensing database and investigative case management system were assessed to determine if controls were properly designed and implemented.

To identify and evaluate board activities, we conducted interviews with state agency staff and board members. Specific areas of inquiry included: board operations, duplication of effort, and veterinary care in bush communities.



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During the audit, the following samples were selected:

- A random sample of 25 initial and renewal license applications was selected from 957 licenses that were active July 2012 through February 2016. Applications were assessed for statutory and regulatory compliance. The sample size was based on a low inherent risk and low control risk. Test results were projected to the population.
- A sample of six board meeting minutes was selected from 12 meetings held between July 2012 and February 2016. The systematic sample selected board meeting minutes from every other board meeting beginning with the first meeting held in FY 13. The sample size was considered appropriate as results of the review of board meeting minutes were significant to the evaluation of board operations. Test results were not projected to the population.

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# APPENDICES SUMMARY

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## **Appendix A — Analysis of Public Need Criteria**

In developing our conclusion regarding whether the board's termination date should be extended, its operations were evaluated using the 11 factors set out in AS 44.66.050(c). Under the State's "sunset" law, these factors are to be considered in assessing whether an entity has demonstrated a public need for continuing operations.

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## APPENDIX A

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### **Analysis Of Public Need Criteria (AS 44.66.050(c))**

A determination as to whether a board or commission has demonstrated a public need for its continued existence must take into consideration the following factors:

- (1) the extent to which the board or commission has operated in the public interest;
- (2) the extent to which the operation of the board or commission has been impeded or enhanced by existing statutes, procedures, and practices that it has adopted, and any other matter, including budgetary, resource, and personnel matters;
- (3) the extent to which the board or commission has recommended statutory changes that are generally of benefit to the public interest;
- (4) the extent to which the board or commission has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided;
- (5) the extent to which the board or commission has encouraged public participation in the making of its regulations and decisions;
- (6) the efficiency with which public inquiries or complaints regarding the activities of the board or commission filed with it, with the department to which a board or commission is administratively assigned, or with the office of victims' rights or the office of the ombudsman have been processed and resolved;
- (7) the extent to which a board or commission that regulates entry into an occupation or profession has presented qualified applicants to serve the public;
- (8) the extent to which state personnel practices, including affirmative action requirements, have been complied with by the board or commission to its own activities and the area of activity or interest;

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- (9) the extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection;
  - (10) the extent to which the board or commission has effectively attained its objectives and purposes and the efficiency with which the board or commission has operated;
  - (11) the extent to which the board or commission duplicates the activities of another governmental agency or the private sector.

# Agency Response from the Department of Commerce, Community, and Economic Development



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Commerce, Community,  
and Economic Development

OFFICE OF THE COMMISSIONER

P.O. Box 110800  
Juneau, AK 99811-0800  
Main: 907.465.2500  
Fax: 907.465.5442

September 7, 2016

RECEIVED

SEP 07 2016

LEGISLATIVE AUDIT

Kris Curtis, CPA, CISA  
Division of Legislative Audit  
P.O. Box 113300  
Juneau, AK 99811

Re: Confidential Preliminary Audit Report, Department of Commerce, Community, and Economic Development (DCCED), Board of Veterinary Examiners, March 18, 2016

Dear Ms. Curtis:

Thank you for the opportunity to comment on the Confidential Preliminary Report regarding the Board of Veterinary Examiners. I am pleased to know that you are recommending a full extension of this board to June 30, 2025.

Recommendation No. 1

As this is a recommendation to the board, DCCED has no response. The department will, however, ensure that the board has adequate and appropriate tools to complete their statutory reporting responsibilities.

Again, thank you for the opportunity for the DCCED to provide input on this matter. Should you have any questions about the contents of this letter, please do not hesitate to contact me at 907-465-2500.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Hladick".

Chris Hladick  
Commissioner

cc: Janey Hovenden, Director, Division of Corporations, Business and Professional Licensing  
Micaela Fowler, Legislative Liaison, DCCED

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# Agency Response from the Board of Veterinary Examiners



**North Star**  
Animal Hospital

840 S. Cobb St  
Palmer, AK 99645  
(907) 746 7387 / FAX (907) 746 7329  
E mail: starpets@mtaonline.net

RECEIVED

SEP 23 2016

LEGISLATIVE AUDIT

Division of Legislative Audit  
PO box 113300  
Juneau AK 99811-3300  
September 12, 2016

Dear Kris Curtis, Legislative Auditor

I have reviewed the Preliminary Audit Review for the Board of Veterinary Examiners dated March 18, 2016. The findings stated therein seem reasonable. Our Board is effective, specific and necessary. I agree with the one recommendation to have the Board Chair review the final annual report before it is submitted as complete. I have no other questions or concerns.

Sincerely,

Teresa Beck DVM  
Chairperson  
State of Alaska Board of Veterinary Examiners

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