

Texas Department of Licensing and Regulation

Internal Audit Advisory Follow-up Procedures Report over
Texas Board Veterinary Medical Examiners Prior Year's
Significant Processes Observations
September 19, 2025

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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 April 10, 2025, through August 26, 2025, related to the observations identified in the prior year's internal audit over operations at TBVME performed in fiscal year 2024.

The objective of these follow-up procedures was to validate that adequate corrective action has been taken to remediate the issues identified in the prior fiscal years' internal audit advisory report.

To accomplish these objectives, we conducted interviews and walkthroughs with key TBVME personnel involved in the operations' processes. We also reviewed documentation and performed specific testing procedures to validate the action taken. Procedures were performed remotely.

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

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Austin, Texas
September 19, 2025

Texas Department of Licensing and Regulation

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Background

In fiscal year 2024, we performed internal audit advisory procedures over the Texas Board Veterinary Medical Examiners (TBVME) significant processes and reported our results to Texas Department of Licensing and Regulation. The internal audit advisory engagement identified twenty-five (25) areas for improvement related to the following departments:

- Licensing,
- Inspections, Enforcement Administration, and Prosecutions,
- Budgeting and Planning, and
- Procurement.

The 2025 Internal Audit Plan included performing follow-up procedures to validate that TBVME management had taken steps to address the twenty-five (25) internal audit observations.

Follow-Up Procedures Objective and Scope

The follow-up procedures focused on the remediation efforts taken by TBVME management to address the observations included in the 2024 Internal Audit Advisory Report over TBVME significant processes, and to validate that appropriate corrective action had been taken. We evaluated those corrective actions in their current state.

Executive Summary

The observations from the prior year's Internal Audit Advisory Report include items that were identified and considered to be non-compliance issues with TBVME's policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to TBVME. These issues could have financial or operational implications.

Through our interviews, review of documentation, observations and testing we determined that of the 25 prior year observations, one remains open for FY26 follow-up, 22 were fully remediated, and two were closed in the prior fiscal year.

A summary of our results is provided in the table below. *See the appendix for an overview of the Assessment and Risk Ratings.*

Risk Rating	Total Observations	Closed in Prior Year	Remediated	Not Remediated
High	6	-	5	1
Moderate	10	-	10	-
Low	9	2	7	-
Total	25	2	22	1

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FOLLOW-UP ASSESSMENT		Strong
SCOPE AREA	RESULT	RATING
Objective: Validate that adequate corrective action has been taken to remediate the issues identified in the prior fiscal years' internal audit reports.	We verified that procedures implemented by management have addressed and remediated 23 of the 25 prior open observations. One of the open observations is partially remediated, and one is not remediated.	Strong

Conclusion

Based on our evaluation, key personnel in each of their respective divisions made efforts to remediate the observations from the prior year's internal audit reports. Of the previous 25 findings, 23 have been fully remediated or closed.

TBVME management should continue their efforts to complete remediation of the remaining open findings.

Detailed Follow-Up Results, Recommendations and Management Response

Our procedures included interviewing key personnel responsible for remediation efforts to gain an understanding of the corrective actions taken in order to address the findings identified in the 2024 Internal Audit over TBVME as well as examining existing documentation and performing testing to validate those corrective actions. We evaluated the existing policies, procedures, and processes in their current state.

Objective: Validate Remediation

Validate that adequate corrective action has been taken to remediate the issues identified in the 2024 Internal Audit over TBVME.

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TBVME Licensing

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.

Results: Remediated

We verified that TBVME Licensing SOP's have been formalized and documents the evaluation process for new licensees, reapplication licenses, special case licenses, and for situations that do not fall into any of those categories. TBVME's new licensing system went live on August 2, 2024, which the SOP's were dated August 2024 to coincide with the system's implementation date and TBVME provided updated SOP's dated August 2025.

Observation 2 – Moderate – Fingerprint Verification

The files used to verify the completion of fingerprints contain 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.

Results: Remediated

We observed TBVME's process to review applicants fingerprint completion within the new licensing system. We verified that this process includes the sign off on a checklist item that verifies the fingerprinting as complete. This new process no longer uses Microsoft Excel files since the implementation of the new licensing system.

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.

Results: Remediated

We obtained TBVME's paper application which will be utilized when necessary is available for applicants upon requests.

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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.

Results: Remediated

We observed TBVME's application processing activities and verified the new licensing system does not allow incomplete application submissions. The Licensing Supervisor reviews the application list daily and assigns applications to licensing staff daily. Licenses are issued within one business day of the submission of a complete application.

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.

Results: Remediated

We observed the new licensing system verified that the system has validation rules configured ensuring applications cannot be submitted unless all required fields are entered. Therefore, no secondary review is required.

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 do 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.

Results: Remediated

We verified that TBVME has developed email templates for notifications to send automatic email reminders and deficiency notices to applicants.

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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 misunderstandings.

Results: Remediated

We verified that the new system has a clear workflow requiring fees to be paid by applicants before a license can be renewed. This workflow removed the timing issues that caused late charges in the previous system. We also verified access rights within TBVME's new licensing system to waive license fees is limited to the Licensing Supervisor Group.

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.

Results: Remediated

We verified the new licensing system has the capability to track and retain CE credits. Applicants are responsible for uploading documentation directly to the system and licensing staff review and sign-off within the system which ensures retention and the ability to track completion.

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.

Results: Remediated

We verified that the new licensing system's is configured to automatically update license status' from expired to cancelled if the license is more than one year delinquent.

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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.

Results: Remediated

We verified that the new licensing system is configured to send automatic reminders. These reminders are sent 30 days before expiration and 10-day delinquent notification after expiration.

Inspections, Enforcement Administration, and Prosecutions Review

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.

Results: Remediated

We verified that the new licensing system implemented by the TBVME includes the fields to maintain and report licensee information. We inspected the system and its configuration to ensure that the system and reporting provided the information for tracking and reporting licensee information.

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.

Results: Remediated

We observed the capabilities of the new licensee tracking system and determined that licensee inspection selection is configured to include the frequency of inspections as well as other factors such as complaints or reports from the Prescription Monitoring Program to prioritize inspection frequency.

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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.

Results: Remediated.

We verified that TBVME has Board rules in place that follow the federal requirements for inventories of controlled substances. The rules also require TBVME investigators to review records of the inventories as part of the inspections process.

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.

Results: Remediated

We verified the Enforcement divisions newly drafted policies and procedures and ensured they included Prescriptions Monitoring Program/Drug pattern review and review of prescription history for clinics authorized for DEA prescriptions.

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.

Results: Remediated

We verified the Enforcement divisions newly drafted policies and procedures and ensured they included Prescriptions Monitoring Program/Drug pattern review and review of prescription history for clinics authorized for DEA prescriptions.

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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.

Results: Remediated

We observed TBVME's process for analyzing the average number of inspections per inspectors. With ten (10) inspectors, TBVME appears to have adequate staffing to ensure that performance measure goals are met annually.

Observation 17 – Low – Prioritization and Resolution of Complaints

Results: Closed in prior year

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.

Results: Remediated

The implementation of the new licensing system provide the TBVME the ability to process and track complaints.

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.

Results: Remediated

We verified that TBVME's Enforcement Division performed training that included overviews of the inspection and complaints processes as well as training for records retention.

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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.

Results: **Remediated**

The implementation of the new licensing tracking system by the TBVME allows investigators to store information related to open investigations in a central location.

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.

Results: **Remediated**

We verified that through the new licensing tracking system, TBVME has methods to monitor the caseloads of investigators. With increased budget for investigators and tools to monitor caseloads, the TBVME can effectively monitor the distribution of cases amongst the investigators to help ensure investigations are completed timely.

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.

Results: **Remediated**

We verified that TBVME has created a SOP for SOAH hearings that includes the path and expectations for moving cases to SOAH for formal hearings. This SOP has been distributed to TBVME personnel.

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Budget and Planning Review

Observation 23 – High – Lack of Standard Operating Procedures

There is not a standard operation procedure in place for budget development.

Results: Not remediated. Scheduled to be remediated in FY 2026.

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: March 31, 2026

Procurement Review

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.

Results: Closed in prior fiscal year

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.

Results: Remediated

We verified that a Purchasing Card Manual was established for the agency. The manual includes the requirements for card security, transactional review, purchasing limits, as well as acceptable and prohibited purchases.

Appendix

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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