



STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

Situation Report

Vermont Spay Neuter Incentive Program (VSNIP)

January 9, 2012

On August 30, 2011 our office received a letter from State Senator Vincent Illuzzi requesting that we conduct an audit of the Vermont Spay Neuter Incentive Program (VSNIP). On September 13, 2011 we received a similar letter from Senator Harold Giard. The reason for the requested audit was a concern that funds raised to support the program have not been properly spent to provide the services intended when the program was started.

The Program

The VSNIP program was launched in 2006 and has been administered by the Agency of Agriculture, Food and Markets (the Agency) through 6/30/11. On 7/1/11 the Department for Children and Families (DCF) took over the administration of the program. The purpose of the program is to reduce the population of unwanted companion animals by assisting low-income Vermonters with certain veterinary costs associated with the permanent sexual sterilization of their companion animals through spaying and neutering. The program has been operated by the Vermont Volunteer Services for Animals Humane Society, Inc. (VVSAS), a nonprofit organization since 2006 with the exception of the period 1/1/10 through 6/30/10 when the agency took direct control of the operation.

This program is open to any Vermont resident who owns a companion animal acquired for no compensation or for a nominal fee of no more than \$75 and who is income eligible. The owner of a companion animal with a household income at or below 185% of the federal poverty limit is eligible for VSNIP services. Pet owners must apply for and be determined eligible to receive a voucher to be presented to a participating veterinarian to receive sterilization and immunization services provided through the program. Veterinarians submit the vouchers to the program administrator for reimbursement.

The program is funded with a \$3 fee collected by town clerks for each dog license obtained.

The Issue

- Have the funds raised to operate the VSNIP program been used only for the VSNIP program?
- Have the revenue and expenses for the program been accurately accounted for?
- Has the program been operated and managed as required by the rules established when the program was established?

- Other issues: Have donations been diverted for personal use? Have services been provided to ineligible individuals? Have overpayments been made to veterinarians?

What we found: FY 2010 and FY2011

We requested information from the Office of the State Treasurer, the Agency of Agriculture, Food and Markets, and the Vermont Volunteer Services for Animals Humane Society, Inc. concerning the revenue, expenses, and operation of the VSNIP program. The documents and reports provided were reviewed in an effort to determine the answers to the issues above.

Have the funds been used only to operate the program? The program has never been audited, and without a comprehensive audit of the program we cannot say with certainty that VSNIP funds were used only to operate the program. However we found nothing in the data we reviewed to suggest that VSNIP funds were not used appropriately.

Have the revenue and expenses for the program been accurately accounted for? The treasurer's office stated that all funds received for the operation of the VSNIP program were deposited into the Special Fund for the program (FY2010 - \$231,054; FY2011 - \$234,890), and that they do not charge any administrative costs to VSNIP. The Agency of Agriculture, Food and Markets did not prepare detailed financial reports for the VSNIP program, so we cannot confirm that the revenue and expenses for the program were accurately accounted for. No yearend financial reports were prepared, no balance sheets or operating statements were prepared, and no narrative concerning the effectiveness of the program was written. Financial management of the program was weak.

Has the program been operated and managed as required by the rules established in the program? Generally, the program was operated to meet the intent of the legislation. However, there were significant weaknesses in the management and oversight by the agency of the operation of the program. For example:

1. There were no financial reports prepared by the Agency for the program in the two-year period reviewed. "The Agency was able to estimate financial information based on the monthly voucher reports that were submitted by the Administrator" was the response to the question about financial reporting.
2. No written policies and procedures were established to manage and monitor the program. The Agency said "the policies and procedures for oversight are largely contained in the applicable rules and contracts/grant agreements for those two years". The grantee did submit monthly and quarterly reports as required by the grant agreement on the number of participating veterinarians, number of applicants, number of "deemed eligible", etc.

The Agency stated that the monthly and quarterly reports submitted by the grantee were reviewed/approved by the Agency, and that the Agency met with the grantee quarterly to:

- a. review the progress made during the previous quarter;
- b. troubleshoot challenges that had arisen during the previous quarter;
- c. plan strategies for the upcoming quarter.

Quarterly meetings between the Agency and the grantee were held, but not held every quarter as required. In addition, minutes were not taken during those meetings; notes were taken that were sketchy, often hand-written, some without dates, and the writer often unidentified.

3. Communication between the Agency and the grantee was irregular, informal, and often adversarial.

Other issues – diverted donations to personal use, services provided to ineligible individuals, and overpayments to veterinarians:

1. There is no evidence or suggestion in the documents and data we reviewed of a diversion of donations or program funds to personal use by either Agency staff or the grantee.
2. A careful reading of meeting notes suggests that there may have been services provided to ineligible individuals. However, the eligibility verification process is weak, depending for the most part on self certification. There was no indication of deliberate, systematic abuse of the eligibility rules.
3. The risk of overpayments for allowed services and for payment of services that are not allowed by the program is significant due to changes made to the review process of veterinarian invoices.