

STATE OF NORTH CAROLINA

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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August 21, 2023

Craven County Board of Commissioners
Jason Jones, Chair, Craven County Board of Commissioners
Jack Veit III, Craven County Manager

Ladies and Gentlemen:

The North Carolina Office of the State Auditor received three allegations concerning the Craven-Pamlico Animal Services Center (Animal Center). The allegations were as follows:

1. Adoption revenue was underreported by the Animal Center for the fiscal years ended June 30, 2018, through June 30, 2020.
2. The number of animal intakes reported by the Animal Center cannot be supported for the period January 1, 2021, through October 31, 2021.
3. The number of euthanasias reported by the Animal Center is incorrect for calendar years 2018, 2019, and 2020.

Pursuant to North Carolina General Statutes §§ 147-64.6(c)(16) and 147-64.6B, we have completed an investigative audit of the allegations. This letter provides the results of our investigative audit. This letter does not constitute an audit or attestation engagement conducted in accordance with generally accepted government auditing standards.

We appreciate the cooperation received from the management and employees of Craven County and the Animal Center during our investigative audit.

Background

The Craven-Pamlico Animal Services Center (Animal Center) is a part of the Craven County Health Department. The Animal Center provides rabies control, public education, and pet adoptions. Their mission is to encourage rabies vaccinations and reduce the number of stray animals in Craven and Pamlico Counties.

At the state level, the North Carolina Department of Agriculture and Consumer Services, Animal Welfare Section¹ (Animal Welfare Section), performs annual inspections of the Animal Center to ensure they are following the rules and regulations of the North Carolina Animal Welfare Law.

Findings

There is no evidence to substantiate the allegations made against the Craven-Pamlico Animal Services Center (Animal Center).

No Evidence to Substantiate Allegation 1, Revenue Was Underreported

The complainant alleged that the Animal Center underreported adoption revenue for the fiscal years ended June 30, 2018, 2019, and 2020. However, there was no evidence to substantiate the allegation.

The premise of the allegation came from adoption revenue for 2020, **calculated** by the complainant, that was then compared to the Animal Center's adoption revenue included in reports from the County's accounting system. The complainant's calculated adoption revenue was based on the following information:

Table 1	
Complainant's Calculation	
Number of dogs adopted	973
Adoption fee used by complainant	\$ 125
Total Adoption Revenue from Dogs	\$ 121,625
Number of cats adopted	1,445
Adoption fee used by complainant	\$ 80
Total Adoption Revenue from Cats	\$ 115,600
Total Complainant - Calculated Revenue	\$ 237,225

Table 2	
Accounting System Revenue (June 30, 2020)	
Rabies Vaccine	\$ 23,433
Adoption Fee	\$ 16,810
Spay/Neuter Fee	\$ 40,995
Total Revenue per Accounting System	\$ 81,238

¹ The Animal Welfare Section was established in Chapter 19A, Article 3 of the North Carolina General Statutes.

The differences in the revenue calculated by the complainant and the revenue in the County's accounting system are as follows:

First, the complainant's calculated adoption revenue was based on adoptions that occurred during **calendar** year 2020. The adoption revenue reported in the County's accounting system was based on adoptions that occurred during **fiscal year** ended June 30, 2020.

As a result, the complainant's calculated adoption revenue included 112 more dogs and 768 more cats.

Second, the complainant's calculated adoption revenue assumed that a fee was required for the adoption of **all** animals. However, the adoption fee is **waived** in some instances, including:

- Animals adopted with heartworms.
- Animals transferred to rescue organizations.

For the fiscal year ended June 30, 2020, there were 677 cats adopted; however, 15 had heartworms and 406 were transferred to a rescue organization for a total of **421** cats for which **no adoption fee** was required, therefore no adoption revenue was generated.

Additionally, for the fiscal year ended June 30, 2020, there were 861 dogs adopted; however, 23 had heartworms and 411 were transferred to a rescue organization for a total of **434** dogs for which **no adoption fee** was required, therefore no adoption revenue was generated.²

Table 3

	Cats Adopted	Cats with Heartworms	Cats to Rescue Organizations	Total Cats Adopted/Transferred
Fiscal Year 2020 - Number adopted	256	15	406	677
Actual Fee	\$ 80	\$ -	\$ -	
Revenue Collected - Adoptions	\$ 20,480	-	-	

	Dogs Adopted	Dogs with Heartworms	Dogs to Rescue Organizations	Total Dogs Adopted/Transferred
Fiscal Year 2020 - Number adopted	427	23	411	861
Actual Fee	\$ 100	\$ -	\$ -	
Revenue Collected - Adoptions	\$ 42,700	-	-	

Table 4

Auditor Calculated Adoption Revenue

Cats	\$ 20,480
Dogs	\$ 42,700
Total Revenue for Adoptions	\$ 63,180

² The number of animals adopted was generated by Craven County in a review performed related to this allegation. Investigative auditors compared these numbers to Animal Center records to ensure they were reasonably accurate.

Investigative auditors compared the amounts recorded as adoption revenue for fiscal year ended June 30, 2020, per the **County's accounting system**³ to the **investigative auditor estimated** adoption revenue calculated above.

Table 5		
Accounting System Revenue		
Rabies Vaccine	\$	23,433
Adoption Fee	\$	16,810
Spay/Neuter Fee	\$	40,995
Total Revenue per Accounting System (Table 2)	\$	81,238
Auditor Calculated Adoption Revenue		
Dogs	\$	42,700
Cats	\$	20,480
Total Revenue for Adoptions (Table 4)	\$	63,180
Variance	\$	18,058

According to the County Finance Director, the revenue per the County's accounting system also includes rabies vaccines and spay/neuter services provided to the public for their personal pets. Those fees were not segregated from the rabies vaccine and spay/neuter fees associated with adoptions. The investigative auditor calculation did not include those other fees, which account for the variance above.

Complainant's Calculation Adjusted for Incorrect Assumptions

See below for estimated adoption revenue **after** adjustments for the complainant's incorrect assumptions.

Table 6		
Reconciliation		
Complainant's Calculated Revenue	\$	237,225
Less:		
Incorrect Adoption Rate Used	\$ 24,325	(973 (dog adoptions per complainant) x \$25)
Calendar vs Fiscal Year (Dogs)	\$ 14,000	(112 (difference between allegation and Animal Center) x \$125)
Calendar vs Fiscal Year (Cats)	\$ 61,440	(768 (difference between allegation and Animal Center) x \$80)
Dogs Adopted with No Fee	\$ 54,250	(434 x \$125)
Cats Adopted with No Fee	\$ 33,680	(421 x \$80)
Complainant's Calculated Revenue Adjusted for Incorrect Assumptions	\$	49,530
Add:		
Estimated Non-Adoption Vaccines/Spay/Neuter	\$ 18,058	See Table 5
Total Estimated Revenues	\$	67,588

³ The adoption fee, per animal, includes a fee for the adoption, the cost of a rabies vaccine, and the cost for spaying or neutering the animal. The County's accounting records segregates these three revenues.

No Evidence to Substantiate Allegation 2, Animal Intakes Were Unsupported

The complainant alleged that the Animal Center cannot support animal intakes for the period January 1, 2021, through October 31, 2021. However, there was no evidence to substantiate the allegation.

The complainant did not provide any evidence to support the allegation that animal intakes were unsupported.

Investigative auditors reviewed the Animal Center's process of reporting animal intakes to the state and found that the Animal Center had detailed records of the animal intakes. Animals that the Animal Center receives are entered into the Pet Points system.⁴ The Pet Points system assigns an identifying number to each animal which tracks the animal for the entire time they are at the Animal Center.

Further, the Animal Welfare Section of the Department of Agriculture and Consumer Services performed inspections of records for calendar years 2019, 2020, and 2021. For all three years, the Animal Center was found to be in compliance and had records to support the number of animal intakes. Specifically, the Animal Welfare Section inspection determined:

- Records included origin (how the animal came into the Animal Center) and date received.⁵
- Records were available upon request. (Records included name and address of person responsible, description of animal, all veterinary care provided while at the Animal Center, incident file, etc.)⁶
- All animals matched to records.⁷
- Records were retained for one year.⁸

Based on review of the intake process and results of the Animal Welfare Section inspections, investigative auditors were able to conclude that there is no evidence to substantiate Allegation 2.

No Evidence to Substantiate Allegation 3, Euthanasias Reported by the Animal Center Are Incorrect

The complainant alleged that the number of euthanasias submitted to the state was incorrect for calendar years 2018, 2019, and 2020. However, there was no evidence to substantiate the allegation.

The complainant alleged the euthanasias submitted to the state were incorrect based on the dollar amount recorded in the County's accounting system for euthanasia drugs expense increasing year to year while the number of actual euthanasias reported by the Animal Center was decreasing over the same time period.

⁴ Pet Points is the system used by the Animal Center to track all animals throughout their stay with the Animal Center which was implemented during the fiscal year ended June 30, 2020.

⁵ 02 N.C. Admin. Code 52J .0101(1)

⁶ 02 N.C. Admin. Code 52J .0103

⁷ Ibid.

⁸ Ibid.

The Animal Center records an expense in its accounting system when the euthanasia drugs are purchased, not when the drugs are used. To compare the amount expensed for euthanasia drugs in the accounting records to the animals euthanized is not an applicable comparison.

Further, in May 2020, the Animal Center made a bulk purchase of the drugs used for euthanasias. This bulk purchase was used for euthanasias throughout the fiscal year ended June 30, 2021.

The euthanasia drug expense amount recorded in the accounting system for the fiscal years ended June 30, 2018, through 2021, are as follows:

Accounting System Euthanasia Expense	
Fiscal Year Ended June 30,	
2018	\$ 1,473
2019	\$ 2,331
2020	\$ 3,639
2021	\$ 478
	<u>\$ 7,921</u>

Investigative auditors further reviewed the procedures surrounding the purchase and transfer of euthanasia drugs. When purchased by the County, the euthanasia drugs are stored in a locked safe at the Craven County Health Department. When the Animal Center requests drugs from the Health Department, only one bottle is transferred to the Animal Center, where it is stored in a safe that holds one bottle. This safe is only accessible by the Certified Euthanasia Technicians. Logs are maintained that track the amount of drugs used in each euthanasia.

Further, the North Carolina Department of Agriculture and Consumer Services, Animal Welfare Section, performed inspections of records during calendar years 2019, 2020, and 2021. In the inspection reports for each year, the Animal Center was found to be in compliance and had records to support the euthanasias performed by the Animal Center. Specifically, the Animal Welfare Section inspection reviewed the following topics:

- Records of animal id and number, species, sex, breed, date, dosages used, and amounts wasted.⁹
- Maintenance and security of controlled substances and other drugs.¹⁰
- The proper euthanasias of animals.¹¹
- The proper disposal of expired drugs and used euthanasia materials/equipment.¹²

⁹ 02 N.C. Admin. Code 52J .0418(4)

¹⁰ 02 N.C. Admin. Code 52J .0418(6)

¹¹ 02 N.C. Admin. Code 52J .0418(8)

¹² 02 N.C. Admin. Code 52J .0418(9)

Based on the complainant's incorrect assumptions, investigative auditor analysis performed, results of the Animal Welfare Section inspections, and review of the procedures surrounding the purchase and transfer of euthanasia drugs, investigative auditors were able to conclude that there is no evidence to substantiate the allegations listed above.

Respectfully submitted,

A handwritten signature in black ink that reads "Beth A. Wood". The signature is written in a cursive, flowing style.

Beth Wood, CPA
State Auditor

Board of Commissioners

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Gene Hodges, Assistant County Manager
Nan Holton, Clerk to the Board
Amber M. Parker, Human Resources Director
Craig Warren, Finance Director

Craven County



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August 31, 2023

Office of the State Auditor
Beth Wood, CPA State Auditor
Katie Gleason, CPA Audit Director

Dear Madam Auditor:

This correspondence is in response to the investigative audit performed on Craven-Pamlico Animal Services by your office. We agree with the findings that no evidence exists to support the three allegations. Craven County takes allegations such as those mentioned in your letter very seriously. As a result, we also conducted an internal review of our animal shelter operations which our findings align with your report. We appreciate the professionalism of your staff in this matter and are available should you have any further questions.

Sincerely,

Handwritten signature of Jack B. Veit III in blue ink.

Jack B. Veit, III
County Manager

Handwritten signature of Craig A. Warren in blue ink.

Craig A. Warren, CPA
Finance Officer