

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

608



**FROM:** County Auditor-Controller

**SUBMITTAL DATE:**  
February 11, 2013

**SUBJECT:** Internal Audit Report 2011-313: Riverside County Regional Medical Center Pharmacy Follow-Up.

**RECOMMENDED MOTION:** Receive and file Internal Audit Report 2011-313: Riverside County Regional Medical Center Pharmacy Follow-Up.

**BACKGROUND:** We have completed a Follow-up Audit of Riverside County Regional Medical Center Pharmacy. Our audit was limited to reviewing actions taken as of May 14, 2012, to correct the findings noted in our original audit report (2008-012) dated May 20, 2010. The original audit report contained seven findings, all of which required corrective action and; therefore, were reviewed as part of this audit.

The follow-up audit found that of the seven findings which required corrective action, three findings were fully corrected, two findings were partially corrected, and two findings were not corrected. We will follow-up on the two partially corrected and two not corrected findings in our desk review of RCRMC Pharmacy within six months.

*Paul Angulo*

Paul Angulo, CPA, MA-Mgmt  
County Auditor-Controller

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

<b>SOURCE OF FUNDS:</b> N/A	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

**APPROVE**

BY: *Karen L. Johnson*  
Karen L. Johnson

**County Executive Office Signature**

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD  
Departmental Concurrence

- Consent
- Policy
- Consent
- Policy

Dept's Recomm.:  
Per Exec. Ofc.:



# County of Riverside

## INTERNAL AUDIT REPORT

2011-313

### Riverside County Regional Medical Center Pharmacy Follow-up Audit

February 11, 2013

Office of  
**Paul Angulo, CPA, MA-Mgmt**  
County Auditor-Controller

4080 Lemon Street  
P.O. Box 1326  
Riverside, CA 92502-1326



**COUNTY OF RIVERSIDE**  
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**ACC** | **AUDITOR**  
**CONTROLLER**  
**COUNTY OF RIVERSIDE**

**Paul Angulo, CPA, MA-Mgmt**  
**AUDITOR-CONTROLLER**

February 11, 2013

Douglas D. Bagley  
Chief Executive Officer  
Riverside County Regional Medical Center  
26520 Cactus Avenue  
Riverside, CA 92555

**Subject: Internal Audit Report 2011-313: Riverside County Regional Medical Center  
Pharmacy Follow-up**

Dear Mr. Bagley:

We have completed a Follow-up Audit of (RCRMC) Riverside County Regional Medical Center Pharmacy. Our audit was limited to reviewing actions taken as of May 14, 2012 to correct the findings noted in our original audit report (2008-012) dated May 20, 2010.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our opinion.

The original audit report contained seven findings, all of which required corrective action and; therefore, were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2008-012 at [www.auditorcontroller.org](http://www.auditorcontroller.org).

This follow-up audit found that of the seven findings:

- Three findings were corrected.
- Two findings were partially corrected.
- Two findings were not corrected.

Detailed statuses of the findings identified in the original audit are provided in the body of this report. We will follow-up on the two partially corrected and two not corrected findings in our desk review of RCRMC Pharmacy within six months.

We appreciate the cooperation and assistance extended to us by staff of the RCRMC Pharmacy during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA-Mgmt  
Auditor-Controller

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

By: Rachelle Román, CRMA, MPA  
Chief Internal Auditor

cc: Board of Supervisors  
Executive Office  
Grand Jury

### **Purchasing & Inventory Process**

**Finding 1:** The majority of processes used by the pharmacy for purchasing and inventory control are provided through a system owned by and under the control of a supplier. Considering that 95 percent of the pharmacy's purchases are from this supplier, the integrity and effectiveness of the existing internal control process is uncertain. Prices paid for products from the supplier are not sufficiently validated; thus, increasing the risk for overpayment. This risk is exacerbated by the absence of a perpetual inventory system which could be used to maintain product prices and efficiently track stock balances. Furthermore, without the use of the PeopleSoft purchase order system, the pharmacy is unable to utilize a systematic validation of purchases, receipts, and invoices prior to generating payment to the supplier.

**Recommendation 1.1** Implement a process for validating supplier prices to ensure that inpatient and outpatient products are purchased utilizing appropriate contracts or programs that are of most benefit to the hospital.

**Recommendation 1.2** Re-evaluate the current prime vendor agreement in relation to risks attributed to sourcing pharmaceutical product requirements and system services from a single supplier. Develop a plan for addressing all risks including potential interruptions in supply and system services caused by incidents at the supplier's end.

**Recommendation 1.3** Develop and implement a plan for automating the hospital's supply-chain system consistent with the year 2015 health system initiatives as articulated by the Joint Commission of Pharmacy Practitioners.

### **Current Status Finding 1: Partially Corrected.**

The pharmacy failed to perform bi-monthly SIRX report reviews to identify overpayments of medication prices. The SIRX report provides management with a reconciliation of all contracts and agreements for medications purchased through the pharmacy's Group Purchasing Organization (GPO). A bi-monthly review of the SIRX report validates prices paid and eliminates the risk of overpaying for medicines.

Concerns about interruptions of the supply-chain associated with using one main supplier have been addressed by the inclusion of a disaster recovery plan amendment to the prime vendor agreement and the emergency supply of pharmaceuticals maintained by the pharmacy.

In addition, contract negotiations are in progress to automate the pharmacy's supply-chain system to agree with the year 2015 health system initiative, which includes a perpetual inventory system for tracking inventory and requisition management.

We will verify the full implementation of the recommendations during a desk review within six months.

### **Controlled Substances and Expired Medications**

**Finding 2:** During a six-month period ending November 25, 2008, 23 of the 104 controlled substances surrendered to EXP Pharmaceutical Services Corp.<sup>1</sup> for disposal were not documented on DEA Form-41 (Registrants Inventory of Drugs Surrendered). In addition, 29 of the 104 controlled substances documented with a DEA Form 41 did not reconcile with the transactions recorded in the log book and controlled substances inventory records. DEA Form-41 is required by federal regulations for the surrender of controlled substances. Failure to document the surrender of controlled substances may result in prosecution for violation of the Controlled Substances Act; the failure to perform the procedures may also cause missing controlled substances to remain undetected. The lack of documentation was not detected because supervisory review was not consistently performed.

<sup>1</sup>Licensed vendor awarded to dispose regulated drugs.

**Recommendation 2.1** Document the surrender of all controlled substances on DEA Form-41 (Registrants Inventory of Drugs Surrendered)

**Recommendation 2.2** Perform quarterly or, if desired, monthly reconciliations of surrendered controlled substances as recorded in the NarcTrak and CII-Safe systems and on DEA Form-41 (Registrants Inventory of Drugs Surrendered).

**Current Status Finding 2: Corrected.** The pharmacy reconciles disposed controlled substances by comparing the DEA Form 222 (U.S. Official Order Forms – Schedule I & II) to the controlled substances log. The DEA Form 222 is used to transfer drugs from one location to another, either for purchase or for return. EXP Pharmaceutical Services (EXP) provides the pharmacy a copy of the DEA Form 222 when the controlled substances requiring disposal are picked up. EXP also prepares the DEA Form 41 for the disposal or destruction of the controlled substances and forwards the form to the DEA for disposal instructions. Due to this process change, a revision to RCRMC Policy 110.1 (Destruction and Disposal of Unwanted Controlled Substances) has been implemented, no longer requiring the pharmacy to maintain a file of DEA Form 41s. No other exceptions were noted.

**Finding 3:** Thirty-three of 310 scheduled monthly inventory inspections for expired medications, for the period January through November 2008, were not performed as required by Pharmacy Policy 110 (Returned, Discontinued/Unused, Expired Drugs). Failure to perform a review of expired medication on a monthly basis increases the risk for dispensing expired medications to patients.

**Recommendation 3** The documentation prepared by the pharmacists should be reviewed monthly by the pharmacy director, or designee, to ensure that monthly inventory inspections and removal of expired or expiring medications from stock are performed.

**Current Status Finding 3: Corrected.**

The pharmacy performed monthly inventory inspections for expired medications, with a few minor exceptions. Between October 2010 and January 2011, the pharmacy failed to perform 4 out of 236 inventories. Subsequently, from February 2011 through April 2012, the pharmacy

accomplished all inventories as required per Pharmacy Policy number 110. Therefore, the pharmacy currently meets the monthly inventory inspection requirement. No other exceptions were noted.

**Finding 4:** NarcTrak, an obsolete DOS-based operating system, is no longer supported by the software maker. It does not provide sufficient monitoring and reporting capabilities to facilitate an effective inventory control over outpatient controlled substances.

**Recommendation 4** Develop a plan for replacing NarcTrak with a more current and reliable system for tracking and reporting outpatient controlled substances. The benefits of integrating the proposed system replacement with the hospital's planned information and financial system automations (which may also soon include a supply-chain system) should be considered in planning.

**Current Status Finding 4: Partially Corrected.**

Contract negotiations are under way to upgrade the inpatient operating system (Pyxis) to include an outpatient capability. The outpatient capability would eliminate the need for the NarcTrak operating system. The upgrade will fully automate both the inpatient and outpatient programs and provide a perpetual inventory system for tracking inventory and requisition management control over both outpatient and inpatient controlled substances.

We will verify the full implementation of the recommendation during a desk review within six months.

**Physical Security Controls**

**Finding 5:** Twenty-two former employees (19 terminated, three transferred out of the pharmacy) still had active access to the pharmacy's main door. Five of them also had active access rights to the controlled substances room. The access rights of these employees remained active because Plant Operations was not notified of the employee terminations or transfers in a timely manner. Failure to disable terminated or transferred employee access rights increases the risk for unauthorized access to the pharmacy. (A follow up review made on August 2009 indicated that 15 former employees still had active access rights to the main door.)

**Recommendation 5.1** Disable terminated and transferred employees' access rights to the pharmacy front door and/or controlled substances room.

**Recommendation 5.2** Develop and implement procedures to ensure employee's access to the pharmacy is disabled upon the employee's transfer to another department or termination of employment.

**Current Status Finding 5: Not Corrected.**

The pharmacy failed to follow-up on the removal request of all terminated or transferred employees' pharmacy access rights. Three terminated pharmacy employees continue to have

access rights to the pharmacy front and back door. Furthermore, one of the three terminated employees continues to have access rights to the controlled substances room.

We will verify the implementation of the recommendation during a desk review within six months.

**Finding 6:** Employees' system access to NarcTrak remained active even after termination of employment. Procedures are not in place to ensure that system access of terminated employees is disabled. Section 4.2 (Access Control) of Board Policy A-58 states that only authorized personnel within each department should have access to any information system. Section 4.3 (Termination Process) requires termination of access when user employment is ended.

**Recommendation 6.1** Disable all employees' access to NarcTrak upon employment termination.

**Recommendation 6.2** Establish procedures for promptly disabling employee access to NarcTrak upon termination of employment.

**Current Status Finding 6: Corrected.**

The pharmacy developed procedures to ensure the disabling of terminated and transferred employees' access to the NarcTrak system. We identified 82 pharmacy employees that were terminated or transferred between the period of October 2010 and May 14, 2012. None of the 82 former employees tested currently hold access rights to the NarcTrak system. No other exceptions were noted.

**Finding 7:** One security camera in the controlled substances room is not sufficient to monitor the entire room including the back section where controlled substances for disposal are kept. The camera in the room could only record the individuals coming in and out of the room. It may not be possible to exactly identify the responsible individual if theft is committed because of the camera's limited coverage. Auditor-Controller Standard Practice Manual 104: Internal Controls, requires adequate physical controls for equipment, inventories, cash and other property.

**Recommendation 7** Improve monitoring of the controlled substances by adding and maintaining adequate security camera coverage inside the controlled substances room.

**Current Status Finding 7: Not Corrected.**

The hospital failed to install additional surveillance cameras in the controlled substances room to adequately monitor the controlled substances as required per Auditor-Controller Standard Practice Manual 104. In addition, the surveillance DVD retention period length fails to adequately assist in identifying perpetrators of controlled substances theft or misuse. The surveillance system records over the DVD every fourteen days, whereas the pharmacy conducts inventory inspections on a monthly basis. If the pharmacy discovered missing controlled substances during an inventory inspection, the DVD may not be able to identify the perpetrator.



We will verify the implementation of the recommendation during a desk review within six months.