



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF HEALTH PHARMACEUTICALS AT COUNTY HEALTH DEPARTMENTS OPERATIONAL AUDIT

SUMMARY

Pursuant to Section 381.001, Florida Statutes, the Department of Health, in partnership with the State's 67 county governments, provides public health services through County Health Departments (CHDs). Pursuant to Section 381.0203, Florida Statutes, the Department has entered into various Statewide contracts for the purchase of pharmaceuticals to be used by State agencies and political subdivisions.

In October 2001, we issued audit report No. 02-051, in which we reported findings related to pharmaceutical management at 10 CHDs. This audit encompasses the pharmaceutical management at 15 additional CHDs (see Exhibit 1) and covers the period July 2002 through January 2004. As in the previous audit, controls in place at the CHDs were not always adequate to ensure pharmaceuticals were properly safeguarded and accounted for. Specifically:

Finding No. 1: The CHDs reviewed did not have adequate inventory management controls in place and operating effectively to ensure accountability and safeguarding of pharmaceuticals. For example, inventory records often did not contain adequate information, which did not allow for proper reconciliation between physical counts and inventory records.

Finding No. 2: In paying for pharmaceutical purchases, two CHDs did not receive appropriate credits or discounts totaling \$4,562. In another instance, controls over receiving were not adequate to prevent the loss of pharmaceuticals costing \$5,300. One CHD had not monitored a contracted pharmacy.

Finding No. 3: The values of pharmaceutical inventories held by five CHDs were incorrectly reported or not reported to the Department for inclusion in the financial statements.

BACKGROUND

The Department has established a Central Pharmacy that is responsible for purchasing, repackaging, dispensing, and distributing immunizations and other pharmaceuticals to the CHDs. The CHDs may obtain pharmaceuticals from Central Pharmacy in two forms: (1) prescriptions that are filled by Central Pharmacy and forwarded to the CHDs for distribution to clients; and (2) bulk pharmaceuticals. CHDs may also procure pharmaceuticals directly from vendors. Some pharmaceuticals are dispensed by medical staff at clinics, but larger counties also dispense through on-site pharmacies. Of the 15 CHDs included in our tests, 8 operated pharmacies and 2 maintained contracted pharmacies. As shown in Exhibit 1, during the audit period the 15 CHDs received pharmaceuticals valued at approximately \$81 million.

Pharmaceuticals received and dispensed by the CHDs include some drugs scheduled in Chapter 893, Florida Statutes, which governs substances subject to abuse. The law requires certain records be kept by every person who engages in, among other things, the dispensing or distributing of the scheduled substances. The majority of the pharmaceuticals received and dispensed by the CHDs, however, are nonscheduled substances, such as antibiotics, family planning drugs, vaccines, and most HIV/AIDS medications.

FINDINGS AND RECOMMENDATIONS

Subsequent to our prior audit, the Department implemented *Pharmacy Services Policies and Procedures for County Health Departments* (Department policies), dated April 2002, to give guidance to the CHDs. The policies address, among other topics, inventory management, procurement, and distribution of pharmaceuticals. However, as discussed below, controls in place at the CHDs were not always adequate, thus increasing the risk of loss or misuse of pharmaceuticals.

Finding No. 1: Inventory Management

Risk-related Controls

The level of internal control over pharmaceuticals should be commensurate with the relative risk. During the audit period (July 2002 through January 2004), the Department, including the 67 CHDs, spent approximately \$186 million for pharmaceuticals. Certain pharmaceuticals are at increased risk of theft or misappropriation due to the susceptibility of the drug to substance abuse (i.e., scheduled drugs) or the financial value for black market resale. While Department policies include additional controls over scheduled drugs, the policies do not address dollar value as a risk issue. The dollar value of pharmaceuticals can range from insignificant to over \$500 a bottle.

Recommendation: When addressing the weaknesses noted in this report, the Department should consider the relative risk of each drug. Controls that might be considered for high-risk pharmaceuticals include: increased physical security; more frequent inventories; additional focus during internal and external quality control inspections; requiring additional levels of approval for ordering, receiving, and disposals; and patient identification prior to dispensing. The Department should also provide additional training regarding the importance of internal

controls over pharmaceuticals and the relative risk of specific items.

Inventory Records

Procedures that ensure the maintenance of complete and accurate inventory records are an essential control in promoting accountability and ensuring that pharmaceuticals are properly maintained and used only as intended. Department policies require the CHDs to maintain individual records for each pharmaceutical in stock to include, among other things, a reference number for inventory changes such as a purchase order number, invoice number, supply requisition number, or issue document number. In addition, Section 893.07, Florida Statutes, requires that detailed records be maintained for scheduled drugs. The records are required to include the date of receipt as well as information on all scheduled drugs sold, administered, dispensed, or otherwise disposed of. For the types of scheduled drugs administered by the CHDs, these records are required to be readily retrievable. Specific examples of the absence of effective inventory record controls include:

Broward, Collier, Martin, Orange, Osceola, Pinellas, Sarasota, Seminole, and Volusia CHDs

Although these CHDs' pharmacies maintain computer systems that report the pharmaceuticals dispensed to individual clients, the systems could not provide detailed transaction histories of inventory receipts and adjustments by individual inventory item. Additionally, the systems did not provide a cross-reference to supporting documentation for each receipt or adjustment, such as a purchase order or voucher number. As a result, it was not practicable to determine whether all pharmaceuticals received were accurately recorded or whether all inventory adjustments were proper. The **Martin CHD** pharmacy was closed subsequent to the audit period.

In addition, manual inventory records often did not include the level of detail required in established policies. Similarly, the Department's CHD Quality Improvement (QI) reviews had noted numerous instances in which manual and computerized

inventory systems lacked a sufficient trail of inventory activity.

Collier, Pinellas, and Seminole CHDs Department policies require CHDs to retain one of the copies of the issue document (i.e., receiving report for pharmaceuticals received from Central Pharmacy). A satellite clinic of **Collier CHD** had a retention policy of only three months for documentation supporting pharmaceuticals received directly from Central Pharmacy. At **Pinellas and Seminole CHDs**, requisitions used to order pharmaceuticals from Central Pharmacy were not retained.

Leon CHD Documentation was not always available to evidence that acquisitions were entered into the inventory records and in some instances documentation was not available to support transfers by the CHD to clinics within the county. Effective August 2003, **Leon CHD** began implementing procedures to address these issues.

Osceola, Pasco, and Sarasota CHDs The **Osceola CHD** did not maintain perpetual inventory records for vaccines. In addition, certain **Osceola CHD** clinics did not maintain perpetual inventory records over pharmaceuticals. At one **Pasco CHD** clinic, a perpetual inventory system was not maintained. The **Sarasota CHD** did not maintain inventory records to account for the vaccine inventory at the clinics.

Pinellas CHD Prior to October 2003 vaccines received were not always added to the perpetual inventory records. Rather, vaccines were transferred directly to another division and the inventory records from that division had been destroyed.

Recommendation: **Given the inherent risk and significant dollar value of pharmaceuticals, we recommend that the CHDs enhance their inventory systems or establish other records to provide a detailed transaction history of inventory receipts, issues, and adjustments, including references to supporting documentation. To allow for verification of entries, inventory records should also identify the employee who posted entries. The Department should consider the**

development or purchase of a computer inventory system that establishes accountability over the pharmaceutical inventories at the CHDs in a cost effective manner. In the interim, the Department should ensure compensating controls are in place and operating effectively.

Physical Inventory Counts

Physical inventory counts should be completed on a regular basis and reconciled to inventory records to ensure adequate stock levels and detect shortages on a timely basis. Visual inspections also assist in the management of expired pharmaceuticals. (See related issues under *Pharmaceutical Disposals*.) Department policies require CHDs without pharmacies to conduct monthly inventories to determine which pharmaceuticals need to be ordered. CHDs with pharmacies are required to conduct inventories at the end of the fiscal year. Six of the 10 pharmacies tested indicated that physical inventories were conducted more frequently, while 4 pharmacies conducted inventories annually. Considering the volume and dollar value of pharmaceuticals processed by CHD pharmacies, conducting inventories of high-risk pharmaceuticals more than once a year helps provide additional accountability.

The previously noted deficiencies in the pharmacy inventory systems and records prohibited CHD personnel from performing effective reconciliations of physical inventory counts to the records. The standard practice was to change the record's balance on hand to match the physical count. Specific examples of deficiencies related to inventory counts and reconciliations include:

Broward and Collier CHDs At **Broward CHD**, an inventory of adult vaccines was not taken. Additionally, while a monthly inventory was taken for the Vaccines for Children program, the physical inventories were not reconciled to the perpetual inventory records. At **Collier CHD**, the annual physical inventory count for nonscheduled pharmaceuticals was not reconciled to the perpetual

inventory records to identify and investigate any differences, and to make adjustments as necessary.

Leon CHD Documentation to support the inventory physical counts was not maintained during part of the audit period. Further, perpetual inventory records were not always maintained and physical inventory counts were not always reconciled to the perpetual inventory records. Effective August 2003, **Leon CHD** began implementing procedures to address the issues.

Osceola CHD **Osceola CHD** utilizes a contracted pharmacy. Contrary to contract requirements, records of physical inventories performed were not maintained.

Pinellas CHD At one of the **Pinellas CHD** clinics, physical counts of pharmaceuticals on hand were used only for the purpose of reordering pharmaceuticals and were not compared to the inventory records and differences were not identified and adjusted.

Recommendation: Given the significant deficiencies in inventory management controls described in this report, we recommend the Department require the frequency of inventory counts at CHD pharmacies be commensurate with the level of risk associated with each CHD’s pharmacy operations. Inventory procedures should include review of expiration dates to limit inventory waste. The Department should also reinforce the importance of reconciling inventory records with physical counts and maintaining supporting documentation of the inventory counts.

Pharmaceutical Transfers

Documentation to evidence the transfer of pharmaceuticals between locations is necessary to fix responsibility for the pharmaceuticals. Examples where transfers were not adequately documented include:

Broward CHD Transfers of adult vaccines were made between clinics within the county without written documentation to evidence the transfer.

Washington CHD Pharmaceuticals transferred to the contracted pharmacy were not accurately recorded in the inventory records.

Recommendation: We recommend that appropriate documentation be prepared and maintained to provide a record of transfers of pharmaceuticals and to fix responsibility over pharmaceuticals.

Pharmaceutical Disposals

Department policies require that expiration dates for pharmaceuticals be checked at least every four months. Expired pharmaceuticals must also be returned to the source of supply on a timely basis. The policies also allow CHDs to use pharmaceutical disposal services for unserviceable pharmaceuticals that are not received from Central Pharmacy. In addition to the initial cost, the amount of credit received for returned pharmaceuticals varies based on whether the bottle has been opened and how far the drug has passed beyond the expiration date.

Logs should be maintained when pharmaceuticals are removed from stock to retain control until properly disposed. To ensure disposals are properly authorized, approval should be obtained by someone independent of the disposal request. Examples where controls related to pharmaceutical disposals need to be improved include:

Pasco CHD At two clinics, we noted that expired pharmaceuticals were placed in a bio-hazard bin for disposal rather than returned to the source of supply (i.e., vendor or Central Pharmacy). At one of the clinics, the logs used to document the disposal were not always signed and dated by two witnesses.

Pinellas CHD Once identified as outdated or otherwise needing to be disposed of, the pharmaceuticals were removed from the pharmacy shelves, removed from the inventory records, and

placed in a bin in the pharmacy pending return. The same employee performed these procedures and no log was maintained of the pharmaceuticals put into the bin. Additionally, we noted that Central Pharmacy pharmaceuticals were disposed of through a disposal service rather than returned to Central Pharmacy as required by Department policy.

Sarasota CHD Outdated pharmaceuticals were not returned on a timely basis, which reduced credits received. Some pharmaceuticals returned during the audit period had been expired almost four years. In some instances logs were prepared of the disposed pharmaceuticals at the time returned, but in some instances logs were not prepared (i.e., the CHD relied on the list prepared by the disposal company).

St. Lucie CHD The CHD did not keep a record of the AIDS Drug Assistant Program (ADAP) drugs that were returned to Central Pharmacy. Therefore, the CHD was not able to document the disposition of ADAP drugs.

Recommendation: We recommend all unusable pharmaceuticals be returned to the appropriate source and that disposal drug listings be maintained. In addition, adequate records, including the signature of two employees, should be maintained to evidence proper disposal.

Pharmaceutical Insurance Coverage

In order to safeguard assets, insurance coverage should be obtained to compensate in the event of theft or destruction. Pharmaceuticals were not insured at **Martin, Sarasota, and Volusia CHDs**. Pharmaceuticals were underinsured at **Osceola CHD**. During the audit period, these four CHDs received pharmaceuticals totaling approximately \$10.9 million. Accordingly, substantial assets are at risk without sufficient insurance coverage.

Recommendation: We recommend that each CHD make periodic reviews to determine the insurable value of its pharmaceutical inventory and maintain appropriate insurance coverage.

Segregation of Duties

When incompatible duties are not adequately separated, there is an increased risk that losses or illegal acts could occur and not be timely detected. Department policies stipulate that the duties of ordering, receiving, distributing and inventorying pharmaceuticals should be segregated to the greatest extent possible. In some of the instances noted below, the CHD indicated the lack of appropriate segregation of duties was due to limited staffing, however compensating improvements could be made through additional approvals and oversight. Examples where duties were not adequately segregated include:

Bay, Collier, Martin, Orange, Pasco, Pinellas, Sarasota, and Seminole CHDs CHD employees were responsible for incompatible duties such as ordering inventory, receiving orders, dispensing pharmaceuticals, maintaining the inventory records, and conducting physical inventories. As previously noted, the **Martin CHD** pharmacy was closed subsequent to the audit period.

Volusia CHD One employee placed all orders for rabies vaccines via telephone to Central Pharmacy without completing Central Pharmacy requisition forms. The employee was also responsible for receiving the vaccines and distributing them to the clinics.

Recommendation: We recommend that, to the extent practicable with existing personnel, responsibility for the custody of pharmaceuticals be segregated from the responsibility for record keeping. In addition, personnel independent of those having custody of the pharmaceuticals should conduct the physical inventory counts.

Distribution of Pharmaceuticals

For prescriptions that are filled by Central Pharmacy and sent to the CHDs for dispensing to clients, Department policy requires the CHDs to return the filled prescription to Central Pharmacy if the client does not pick up the prescription. At **Pasco CHD**

procedures were not in place to ensure the timely return to Central Pharmacy of filled prescriptions. We noted one instance in which a prescription was received in September 2003 for a particular client, but the client did not pick up the prescription and the case was closed in February 2004. The pharmaceuticals were not returned to Central Pharmacy until April 2004, subsequent to audit inquiry. In addition, we noted another prescription that was received by the CHD in November 2003 had not been picked up by the client, and as of April 2004 the pharmaceuticals were still at the CHD.

Recommendation: We recommend that any prescriptions not delivered to CHD clients be timely returned to Central Pharmacy. We also recommend that Central Pharmacy consider implementing procedures to follow up if prescriptions are not dispensed on a timely basis.

Finding No. 2: Procurement

As illustrated in Exhibit 1, the 15 CHDs purchased \$17 million in pharmaceuticals from vendors. The following examples were noted in which procurement procedures should be improved:

Broward CHD Credits received for returned pharmaceuticals were not always applied on a timely basis. As of the end of our field work (April 2004), a credit received on June 6, 2003, for \$3,862, was still outstanding.

Martin CHD The CHD was entitled to early payment discounts of approximately \$700, but did not reduce the amount paid by the discount amount. The CHD has indicated they will request a refund of the overpayments.

Sarasota CHD The CHD did not always verify that the items ordered were received prior to signing for the shipment. We noted one instance in which, subsequent to signing the receiving report, the CHD noticed that pharmaceuticals, valued at approximately \$5,300, were not received or were subsequently lost or stolen. However, since receipt had already been

verified by the CHD, no credit was issued by the vendor.

Osceola CHD The CHD entered into a contract with an outside vendor to operate the on-site pharmacy. However, no procedures were in place to provide for monitoring of the contractor (e.g., review of inventory records, procedures, etc.). As a result, no monitoring had been performed since the inception of the contract in May 2003.

Recommendation: We recommend that invoices for pharmaceuticals be reviewed to determine that all items ordered are received and that all applicable credits have been applied. We also recommend that controls be established to ensure contract pharmacies are timely monitored to ensure adequate controls over pharmaceuticals.

Finding No. 3: Financial Reporting

The Department established in its Accounting Procedures Manual (Manual) certain guidelines to be followed by CHDs in reporting the value of inventories at fiscal year end for financial statement purposes. The Manual provides guidelines regarding the method to be used in valuing inventories. However, our review disclosed a lack of consistency in reporting the value of pharmaceutical inventories to the Department at June 30, 2003, for the CHDs listed below:

Bay CHD Documentation provided to support the amount of inventory reported to the Department was 17.5 percent less than the amount reported.

Broward CHD The value of vaccines was not included in the value of the inventory reported to the Department.

Leon and St. Lucie CHDs A perpetual inventory system was maintained for the pharmaceutical inventory. However, the system did not record the cost of the pharmaceuticals. Therefore, the value of the inventory reported to the Department included only supplies, not pharmaceuticals.

Osceola CHD Pharmaceuticals obtained from Central Pharmacy were recorded into the inventory system at a zero cost. Therefore, the CHD did not report the full value of the pharmaceutical inventory to the Department.

Recommendation: We recommend that the Department improve the procedures for ensuring that the CHDs properly report the fiscal year-end pharmaceutical inventory values to the Department.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to determine whether pharmaceuticals were procured by CHDs in an economic and efficient manner, adequately safeguarded, and dispensed or administered only to CHD clients. The scope of this audit focused on the procurement, safeguarding, dispensing and administering of pharmaceuticals at 15 CHDs: Bay, Broward, Collier, Leon, Martin, Orange, Osceola, Pasco, Pinellas, Polk, Sarasota, Seminole, St. Lucie, Volusia, and Washington.

Our audit procedures included tests of source records and data; interviews with appropriate Department and CHD personnel; and analysis of the applicable laws, rules, and written policies and procedures relating to CHDs.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



William O. Monroe, CPA
Auditor General

AUDITEE RESPONSE

As required by law, our preliminary and tentative audit findings were provided to the Secretary of the Department of Health. In a letter dated September 22, 2004, the Secretary provided a response that concurred with our audit findings and recommendations.

For the Secretary's complete response to the findings and recommendations contained in this report, please see the Auditor General's Web site where the response may be viewed in its entirety.

Exhibit 1

CHD Pharmaceutical Acquisitions

County Health Department	Direct Purchases ¹	Received from Central Pharmacy ¹	Immunization Program ²	Total
BAY	\$ 128,618	\$ 743,145	\$ 263,212	\$ 1,134,975
BROWARD	7,942,761	29,632,931	769,833	38,345,525
COLLIER	1,392,125	2,476,726	362,474	4,231,325
LEON	156,240	1,469,791	97,281	1,723,312
MARTIN	203,567	574,693	151,904	930,164
ORANGE	1,552,488	5,775,031	1,001,319	8,328,838
OSCEOLA	103,075	1,515,454	438,706	2,057,235
PASCO	326,355	959,395	282,145	1,567,895
PINELLAS	1,314,663	5,587,715	525,744	7,428,122
POLK	383,809	2,435,126	566,352	3,385,287
SARASOTA	1,986,463	2,421,633	396,900	4,804,996
SEMINOLE	488,125	1,181,212	390,000	2,059,337
ST. LUCIE	123,743	1,572,598	116,892	1,813,233
VOLUSIA	1,177,332	1,549,807	358,663	3,085,802
WASHINGTON	22,261	75,257	30,468	127,986
TOTAL	\$ 17,301,625	\$ 57,970,514	\$ 5,751,893	\$ 81,024,032

¹ Direct purchases and Central Pharmacy issuances (excluding immunization program vaccines) are for the period July 2002 through January 2004.

² Immunization program vaccines issued by Central Pharmacy are for the period July 2002 through December 2003.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was made in accordance with applicable *Governmental Auditing Standards* issued by the Comptroller General of the United States. This audit was conducted by Susan Phelan, CPA and supervised by Peggy S. Miller, CPA. Please address inquiries regarding this report to Marcia Maheu, CPA, Audit Manager, via e-mail at marciamaheu@aud.state.fl.us or by telephone at (850) 487-9038.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone (850) 487-9024; or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).



Jeb Bush
Governor

John O. Agwunobi, M.D., M.B.A.
Secretary

September 22, 2004

Mr. William O. Monroe, C.P.A.
Auditor General
Room G74, Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

This letter is in response to your August 27 letter regarding the preliminary and tentative findings of your report entitled, "Department of Health Pharmaceuticals at County Health Departments." The agency's response to your findings and recommendations, as well as the corrective action plans, is enclosed.

We appreciate the work of your staff and will diligently pursue appropriate resolution to the findings.

If I may be of further assistance, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "JOA", with a long horizontal flourish extending to the right.

John O. Agwunobi, M.D., M.B.A., M.P.H.
Secretary, Department of Health

JOA/mhb
Enclosure

Pharmaceuticals at County Health Departments

<i>Finding</i>	<i>Recommendation</i>	<i>Response</i>	<i>Corrective Action Plan</i>
1a Risk-related controls	When addressing the weaknesses noted in this report, the Department should consider the relative risk of each drug. Controls that might be considered for high-risk pharmaceuticals include: increased physical security; more frequent inventories; additional focus during internal and external quality control inspections; requiring additional levels of approval for ordering, receiving, and disposals; and patient identification prior to dispensing. The Department should also provide additional training regarding the importance of internal controls over pharmaceuticals and the relative risk of specific items.	We concur.	<p>The department will develop and adopt a list of pharmaceuticals considered to be "high risk" in terms of dollar value, abuse potential, or diversion potential (e.g., Schedule II drugs, Schedule III drugs containing opiates, Schedule III benzodiazepines, steroids, injectable blood modifiers, et al).</p> <p>The CHD business manager will be responsible for assuring the completion of a written quarterly inventory for "high risk" drugs. The CHD pharmacy manager will forward the completed written inventory to the CHD business manager.</p> <p>An internal control policy and review questionnaire will be developed, training provided (at the next statewide business managers' meeting), and the policy implemented for county health department pharmacies. The county health department business manager will be responsible for assuring that the pharmacy maintains the required internal controls and will be held accountable for compliance with the policy and completion of the questionnaire at least twice annually.</p> <p>Drugs identified as "high risk" will be ordered and received under the direct supervision of the pharmacy manager.</p> <p>Any inventory discrepancies for drugs identified as "high risk" will be reported to the pharmacy manager and the county health department director or administrator who jointly will investigate the discrepancies and initiate actions to prevent recurrences.</p> <p>The department will provide training on establishing controls for "high risk" pharmaceuticals at the next county health departments' Pharmacy Managers meetings scheduled for October 27-28, 2004. Attendance at this meeting will be mandatory for CHD pharmacy managers.</p>

Pharmaceuticals at County Health Departments

<i>Finding</i>	<i>Recommendation</i>	<i>Response</i>	<i>Corrective Action Plan</i>
1b Inventory Records	<p>Given the inherent risk and significant dollar value of pharmaceuticals, we recommend that the CHDs enhance their inventory systems or establish other records to provide a detailed transaction history of inventory receipts, issues, and adjustments, including references to supporting documentation. To allow for verification of entries, inventory records should also identify the employee who posted entries.</p> <p>The Department should consider the development or purchase of a computer inventory system that establishes accountability over the pharmaceutical inventories at the CHDs in a cost effective manner. In the interim, the Department should ensure compensating controls are in place and operating effectively.</p>	We concur.	<p>Immediate action will be taken by the Department to ensure all inventory control efforts at its county health departments are enhanced to provide sufficient accounting for all pharmaceuticals until a technology-based solution is in place. Given the inherent risk and significant dollar value of pharmaceuticals the business manager of each county health department will be held responsible by the Deputy State Health Officer for monitoring inventory control and assuring appropriate inventory management is addressed. Training will be provided at the next statewide business managers' meeting on inventory control and the management of pharmaceuticals.</p> <p>The county health departments will contract with the pharmacy software vendors for systems currently in use in county health department pharmacies to enhance the existing systems in order to meet the recommended inventory accountability goals.</p> <p>The department will hire (OPS or contract), pending approval, a project manager to facilitate the IT Governance approval process.</p> <p>The project manager will establish the business and systems processes required for the IT Governance approval process.</p> <p>The project manager will develop an ITN for the purchase of standardized network pharmacy software that will provide many enhancements to CHD pharmacies including a strong inventory accountability system.</p> <p>Once approved by IT Governance, the department will advertise an ITN and award a contract for the purchase the pharmacy software for all CHD pharmacies.</p> <p>The department will implement the standardized pharmacy software system.</p>

Pharmaceuticals at County Health Departments

<i>Finding</i>	<i>Recommendation</i>	<i>Response</i>	<i>Corrective Action Plan</i>
1c Physical Inventory Counts	<p>Given the significant deficiencies in inventory management controls described in this report, we recommend the Department require the frequency of inventory counts at CHD pharmacies be commensurate with the level of risk associated with each CHD's pharmacy operations. Inventory procedures should include review of expiration dates to limit inventory waste.</p> <p>The Department should also reinforce the importance of reconciling inventory records with physical counts and maintaining supporting documentation of the inventory counts.</p>	We concur.	<p>The department will reinforce the importance of more frequent inventory counts for identified "high risk" pharmaceuticals. This will be done through the development and deployment of policies and procedures, and at the county health departments' Pharmacy Managers meetings.</p> <p>An internal control policy and review questionnaire will be developed, training provided (at the next statewide business managers' meeting), and the policy implemented for county health department pharmacies. The county health department business manager will be responsible for assuring that the pharmacy maintains the required internal controls and will be held accountable for compliance with the policy and completion of the questionnaire at least twice annually.</p> <p>The development and deployment of policies and procedures will be used to focus on the importance of returning expired products. New policies and procedures for returning expired or over-stocked pharmaceuticals are currently under development for use in all county health departments, and these will be included in the next revision of the pharmacy services policies and procedures manual.</p> <p>All pharmacies are required by rule (§ 64B16-28.110, FAC) to check expiration dates of stocked pharmaceuticals at a minimum interval of four months. Expiration dates for drugs identified as "high risk" will be checked at the time of the required written quarterly inventory.</p>
1d Transfers	<p>We recommend that appropriate documentation be prepared and maintained to provide a record of transfers of pharmaceuticals and to fix responsibility over pharmaceuticals.</p>	We concur.	<p>The department will send a policy memo to all county health departments requiring documentation of the transfer of all pharmaceuticals between sites or to contracted entities including the requirement for an accompanying receiving report. The technology solution will incorporate this function as well.</p>

Pharmaceuticals at County Health Departments

	<i>Finding</i>	<i>Recommendation</i>	<i>Response</i>	<i>Corrective Action Plan</i>
1e	Disposals	We recommend all unusable pharmaceuticals be returned to the appropriate source and that disposal drug listings be maintained. In addition, adequate records, including the signature of two employees, should be maintained to evidence proper disposal.	We concur.	The department will immediately provide to all county health departments a one page checklist document, to serve as a tool, showing step by step the appropriate handling, disposal, and record keeping requirements for unusable pharmaceuticals. The Department will hold each county health department pharmacy manager accountable for ensuring 100% compliance with department policies and procedures.
1f	Insurance Coverage	We recommend that each CHD make periodic reviews to determine the insurable value of its pharmaceutical inventory and maintain appropriate insurance coverage.	We concur.	Immediate corrective action will be taken at the four CHDs and a long-term solution will be researched and included in the corrective action plan.
1g	Segregation of Duties	We recommend that, to the extent practicable with existing personnel, responsibility for the custody of pharmaceuticals be segregated from the responsibility for record keeping. In addition, personnel independent of those having custody of the pharmaceuticals should conduct the physical inventory counts.	We concur.	Internal controls at all county health department pharmacies will be reviewed and duties involving the ordering, receiving, distributing, and inventorying of pharmaceuticals will be appropriately segregated in all their pharmacies. An internal control policy and review questionnaire will be developed, training provided (at the next statewide business managers' meeting), and the policy implemented for county health department pharmacies. The county health department business manager will be responsible for assuring that the pharmacy maintains the required internal controls and will be held accountable for compliance with the policy and completion of the questionnaire at least twice annually. Additional follow up and monitoring will be done by the Bureau of Pharmacy Services on a scheduled and audit basis and a process will be incorporated into the county health department quality improvement reviews to ensure appropriate controls are in place and actively monitored.

Pharmaceuticals at County Health Departments

	<i>Finding</i>	<i>Recommendation</i>	<i>Response</i>	<i>Corrective Action Plan</i>
1h	Distribution	<p>We recommend that any prescriptions not delivered to CHD clients be timely returned to Central Pharmacy.</p> <p>We recommend that Central Pharmacy consider implementing procedures to follow up if prescriptions are not dispensed on a timely basis.</p>	<p>We concur.</p> <p>We concur.</p>	<p>Action will be taken to ensure timely return of pharmaceuticals not picked up by the client. The technology solution being sought for the pharmacies will incorporate this type of tracking and follow up.</p> <p>In regards to prescriptions filled by the Central Pharmacy and delivered to CHDs without pharmacies, the department will reinforce, through existing policies and procedures, the necessity of county health departments' returning prescription medication, which is not delivered to the patient.</p> <p>The department will establish a policy that requires CHDs to establish a tracking system for client prescriptions dispensed by the Central Pharmacy.</p> <p>An internal control policy and review questionnaire will be developed, training provided (at the next statewide business managers' meeting), and the policy implemented for county health department pharmacies. The county health department business manager will be responsible for assuring that the pharmacy maintains the required internal controls and will be held accountable for compliance with the policy and completion of the questionnaire at least twice annually.</p>
2	Procurement	<p>We recommend that invoices for pharmaceuticals be reviewed to determine that all items ordered are received and that all applicable credits have been applied. We also recommend that controls be established to ensure contract pharmacies are timely monitored to ensure adequate controls over pharmaceuticals.</p>	<p>We concur.</p>	<p>Accounts payable procedures will be strengthened to ensure discounts and credits are applied and adequate controls will be implemented for contract pharmacies.</p>

Pharmaceuticals at County Health Departments

	<i>Finding</i>	<i>Recommendation</i>	<i>Response</i>	<i>Corrective Action Plan</i>
3	Financial Reporting	We recommend that the Department improve the procedures for ensuring that the CHDs properly report the fiscal year-end pharmaceutical inventory values to the Department.	We concur.	<p>New language in the revised pharmacy services policies and procedures manual specifically addresses this concern. The Bureau of Statewide Pharmaceutical Services and the Office of Finance and Accounting will establish a procedure to assure more accurate and timely inventory value reporting. The new policy and procedure will include a standard format for reporting.</p> <p>An internal control policy and review questionnaire will be developed, training provided (at the next statewide business managers' meeting), and the policy implemented for county health department pharmacies. The county health department business manager will be responsible for assuring that the pharmacy maintains the required internal controls and will be held accountable for compliance with the policy and completion of the questionnaire at least twice annually.</p>