



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

May 28, 2013

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SUBJECT: Audit Report for the follow-up audit of Animal Care Services Drug Inventory Management

Mayor and Council Members:

We are pleased to send you the follow-up audit report of Animal Care Services Drug Inventory Management. This audit began in March 2013 and concluded with an exit meeting with department management in May 2013. Management's verbatim response is included in Appendix B of the report. The Animal Care Services management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Follow-up Audit of Animal Care Services
Drug Inventory Management

Project No. AU13-F01

May 28, 2013

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the Audit of Animal Care Services Drug Inventory Management dated March 5, 2012. The objective for this follow-up audit follows:

Has Animal Care Services management successfully implemented action plans to address the prior audit recommendations?

Yes, Animal Care Services (ACS) has successfully implemented action plans that address all seven recommendations from the March 2012 report.

The prior audit observations included a lack of written policies and procedures, non-compliance with state and federal regulations, no formal due diligence process or written contracts for relief veterinarians and the under utilization of Chameleon's¹ management reporting features.

ACS management's verbatim response is provided in **Appendix B** on page 6.

¹ Chameleon is a point-of-sale system with features for tracking animal treatments

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Background

In March of 2012, the Office of the City Auditor completed an audit of Animal Care Services (ACS) Drug Inventory Management. The objective of that audit was as follows:

Is Animal Care Services adequately managing its drug inventory?

The Office of the City Auditor concluded that ACS management had not implemented adequate controls to ensure drug inventory was appropriately managed. Specifically, ACS did not have written policies and procedures related to drug management, was not in full compliance with applicable state and federal regulations, and had not implemented a formal due diligence process or written contracts for relief veterinarians. Additionally, ACS had not fully utilized Chameleon's management reporting features.

Audit Scope and Methodology

The audit scope was limited to the recommendations made in the original report and corresponding action plans implemented between March 2012 and April 2013.

The audit methodology consisted of reviewing ACS' policies and procedures, and relevant federal and state regulations related to controlled substances. We also interviewed ACS personnel and tested the department's process for tracking controlled substances.

We selected a random sample of 25 entries from controlled substance logbooks between January 2013 and March 2013 and traced them to corresponding entries in secondary logbooks and final entries in Chameleon. In addition, we reviewed ACS' efforts to enhance Chameleon's reporting capabilities.

We reviewed documentation of veterinarian's required licenses, background checks and formal contracts for adherence to departmental policies as well as federal and state regulations. We also verified that due diligence procedures were properly documented in current policies and procedures.

We conducted this follow-up performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Prior Audit Recommendations and Status

A. No Written Policies and Procedures

ACS Management should establish written policies and procedures for all processes related to the management of drug inventory, including purchasing, storing, transferring, administering, and disposing of drugs. ACS should use regulations as the basis for developing policies and procedures related to controlled substances. Management should require all personnel, including relief veterinarians, who work with physical drug inventory and corresponding records to formally acknowledge that they read, understood, and agreed to comply with the policies and procedures.

Status: Implemented

ACS Management has developed written policies and procedures for all processes related to the management of drug inventory. Additionally, all current relief veterinarians and ACS personnel have acknowledged that they read and agree to comply with the department's policies and procedures.

B. Violations of State and Federal Regulations for Controlled Substances

B.1 Management should establish a contingency plan for unplanned absences of the DEA-licensed veterinarian who is responsible for controlled substances at ACS. Such a plan should provide means to authorize appropriate personnel to access controlled substances necessary to continue with daily operations during the veterinarian's absence. Management should ensure that the contingency plan is in line with applicable state and federal regulations.

Status: Implemented

Management has established a contingency plan for unplanned absences of the DEA-licensed veterinarian. As allowed by regulations, the DEA-licensed veterinarian provided written authorization to other appropriate veterinarians to access and use drug inventory in his absence.

B.2 Management should work with veterinarians, supervisors, and other appropriate staff to develop standard log book structures that are in line with state and federal regulations and provide a clear, complete, and accurate account of all controlled substance transfers, usage, and disposal. Management should also implement a clear policy requiring veterinarians and/or supervisors to regularly review log books for consistency, accuracy, and completeness. Regular reviews should include verification of current inventory balances in logs

according to physical inventory on-hand. Reviews and inventory verifications should be documented in the log books.

Status: Implemented

Management has developed policies and procedures that provide guidance related to the daily use and review of controlled substance log books. In addition, the policies and procedures include guidance regarding accuracy, additions, transfers and usage of controlled substance inventory. Veterinarians and supervisors verify the accuracy of logbook balances against actual inventory whenever inventory is added to the supply.

B.3 In conjunction with recommendation A, management should develop clear guidelines to ensure recordkeeping of controlled substances is in line with applicable regulations. Management should also provide training opportunities to personnel responsible for drug inventory records to ensure they are familiar with and understand applicable regulations.

Status: Implemented

ACS' controlled substance policies and procedures comply with applicable regulations outlined in Title 21, Chapter II of the Code of Federal Regulations and Chapter 481 of the Texas Health and Safety Code. The departmental policies include direction on record retention, logbook requirements, and inventory controls. Management provided training to applicable staff who signed acknowledgement forms indicating they read, understood, and agreed to comply with policies and procedures.

C. No Contracts or Due Diligence for Relief Veterinarians

C.1 Management should continue working with Legal to generate formal contracts with each current and future relief veterinarian. In the meantime, management should ensure that the contract for the relief veterinarian currently responsible for controlled substances explicitly establishes accountability for complying with applicable state and federal regulations.

Status: Implemented

ACS management has signed formal contracts with all five relief veterinarians currently working on behalf of ACS. Each contract explicitly states "Contractor shall provide and perform all services required under this Agreement in compliance with all applicable federal, state and local laws, rules and regulations."

C.2 Management should establish policies and procedures that require completion of formal due diligence procedures prior to allowing relief

veterinarians to conduct services on behalf of ACS. Due diligence procedures should include a criminal background check and verification of medical and, if applicable, DEA licenses. ACS should coordinate these efforts with other City departments, such as Human Resources and San Antonio Police, as appropriate.

Status: Implemented

Management has implemented a policy requiring the completion of formal due diligence procedures prior to allowing a relief veterinarian to work on behalf of ACS. For instance, veterinarians must provide proof of a current medical license and, if applicable, a current DEA license. In addition, veterinarians are required to pass a criminal background check prior to working on behalf of ACS.

D. Chameleon Features Not Used for Management Reporting

Management should work with appropriate personnel to explore Chameleon's reporting potential and require ACS personnel to record data that would be necessary to produce useful management reports, such as dosages of controlled substances administered to animals each day.

Status: Implemented

ACS has updated Chameleon to include data fields where clinic technicians may specify drug type and dosage administered for each treatment. ACS has also submitted a request to ITSD to research the possibility of interfacing Chameleon with SAP. In addition, management sent a staff member to a conference related to Chameleon's reporting capabilities. As a result of the conference, ACS requested the installation of "Quick Kennel", a barcode scanning technology that should improve the efficiency and accuracy of tracking drug inventory and treatments administered.

Appendix A – Staff Acknowledgement

Buddy Vargas, MBA, CFE, Audit Manager
Bruce Coleman, CIA, Auditor in Charge
Christina Liguori, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

May 14, 2013

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for AU13-F01 Follow-up Audit of Animal Care Services Drug Inventory Management

Animal Care Services has reviewed the audit report and provided its comments below. As there are no recommendations for management, no management responses are required.

Fully Agrees (provide detailed comments)

We would like to commend our Medical Team, specifically Chief Veterinarian Dr. Gotbeter, Clinic Manager Joel Jenks and contract Veterinarian Dr. Rogers for their collaboration and implementation of the audit's recommendations. They have made tremendous improvements in process and policy. We also thank the City Auditor's Office for their guidance and support as we implemented the changes.

Does Not Agree (provide detailed comments)

Sincerely,

Kathy Davis
Director
Animal Care Services

Date

Erik Walsh
Deputy City Manager
City Manager's Office

Date