



# CITY OF SAN ANTONIO

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September 29, 2015

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Councilman, District 9

**Mike Gallagher**  
Councilman, District 10

SUBJECT: Follow-up Audit Report of San Antonio Fire Department Drug Inventory Management

Mayor and Council Members:

We are pleased to send you the final report of the Follow-up Audit of San Antonio Fire Department Drug Inventory Management. This audit began in May 2015 and concluded with an exit meeting with department management in August 2015. Management's verbatim response is included in Appendix B of the report. The San Antonio Fire Department 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 San Antonio Fire Department

Drug Inventory Management

Project No. AU15-F04

September 29, 2015

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

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## Executive Summary

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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 San Antonio Fire Department Drug Inventory Management, dated October 23, 2012. The objective for this follow-up audit is:

### **Are action plans successfully implemented and working as intended?**

Yes, action plans were successfully implemented and are serving as effective controls for the management of the department's drug inventory. Specifically:

- Duties are appropriately segregated for purchasing, receiving, storing, and distributing drug inventory;
- Documentation of purchase orders and inventory stock are complete and reasonably accurate;
- Policies and procedures related to drug inventory management were fully implemented and are in line with DEA documentation requirements; and
- Potential automated inventory management solutions were researched and other mitigating controls were appropriately implemented until an automated system can be installed.

SAFD management's verbatim response is in Appendix B on page 6.

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## Background

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In October 2012, the Office of the City Auditor completed an audit of the San Antonio Fire Department's management of drug inventory. The objective of the audit was as follows:

Is the San Antonio Fire Department adequately managing its drug inventory?

The Office of the City Auditor concluded that SAFD management had not implemented adequate controls over drug inventory, as summarized below:

- SAFD management had not established appropriate segregation of duties practices in regards to creating and approving drug orders in the City's accounting system, SAP, as well as receiving, stocking, and issuing drug inventory.
- SAFD had an incomplete and sometimes inaccurate record of drug inventory purchases, storage, distribution, usage, and disposal.
- SAFD had incomplete policies and procedures that had not been fully implemented.
- SAFD's inventory controls were predominately manual, which often resulted in inefficiencies and human error.

SAFD management agreed with the conclusions and developed action plans to address the audit recommendations.

## Audit Scope and Methodology

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The audit scope was limited to the recommendations and corrective action plans made in the original report for the time frame from October 2013 through March 2015.

To obtain an understanding of the department's improved processes, we interviewed staff and conducted walkthroughs of current procedures. We also reviewed SAFD's policies and procedures related to drug inventory management to verify that they were in line with the *Practitioner's Manual – an Informational Outline of the Controlled Substances Act*.<sup>1</sup>

We reviewed controls implemented by SAFD to eliminate segregation of duties issues. This included the segregation of user roles assigned to SAFD personnel in the City's accounting system. Additionally, we observed processes and documentation related to the segregation of responsibilities for receiving, storing, and distributing controlled substances.

We tested the accuracy of a random sample of records documenting controlled substance movement between the SAFD warehouse and medic units, and then to patient treatment or disposal. Records included purchase request forms, DEA order forms,<sup>2</sup> packing slips, patient care reports, and logs maintained by warehouse staff and uniformed medic personnel.

We also reviewed documentation of SAFD's efforts to research automated solutions for drug inventory management.

We conducted this follow-up 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

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<sup>1</sup> 2006 edition, published by the United States Department of Justice, Drug Enforcement Administration, Office of Diversion Control.

<sup>2</sup> Per Drug Enforcement Agency requirements, SAFD personnel must complete a Form 222 for each order of a Schedule II drug, which includes morphine and fentanyl.

## Prior Audit Recommendations and Status

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### A. Segregation of Duties

Recommendations:

A.1. Request Information Technology Services Department (ITSD) to remove either the *create PO* or *approve PO* role in SAP for each of the identified employees, depending on their respective responsibilities.

A.2. Assign some of the Stock Control Supervisor's duties to other staff or management. For example, one individual should receive the drugs while the other assigns control numbers to each vial received.

### Status: Implemented

We verified that the SAP roles were appropriately segregated for the employees identified in the original audit. We also verified that responsibilities for receiving, processing, and storing controlled substance shipments were properly segregated.

### B. Documentation for Purchase Orders and Inventory Stock

Recommendations:

B.1. Ensure that all warehouse personnel, medic officers, and paramedics understand how to correctly complete the required forms and logs by providing clear guidelines through formal policies and procedures as well as any necessary training.

B.2. Incorporate a process whereby an individual periodically reviews a sample of log book entries, tracing each entry from purchase order and vendor invoice through final usage and the PCR system to verify completeness and accuracy of the logs.

B.3. In conjunction with recommendation C, below, ensure policies and procedures clearly define all necessary supporting documentation to be filed with purchase orders, and indicate all necessary written approvals that are expected for each document.

B.4. Going forward, ensure that a current copy of documentation showing power of attorney from the MD is filed with completed copies of Form 222s, and is available for inspection as required by the Controlled Substances Act.

**Status: Implemented**

SAFD management has taken appropriate steps to ensure that warehouse personnel, medic officers, and paramedics correctly complete required forms and logs. We tested a sample of controlled drug issuances and verified that each issuance was appropriately tracked from purchase through patient care or disposal.

**C. Policies and Procedures**

We recommended that the Fire Chief complete policies and procedures related to drug inventory management and ensure that they provide adequate guidance to maintain compliance with current federal and state requirements for controlled substances. Upon completion, management should ensure that: a) policies and procedures are distributed to all appropriate personnel, b) personnel understand and agree to abide by the policies and procedures, and c) personnel receive any needed training to comply.

**Status: Implemented**

We verified the completion of applicable policies and procedures and determined that they were disseminated to appropriate personnel who were properly trained to comply with them. We also determined that the policies and procedures were generally in line with DEA requirements for tracking the purchase, storage, distribution, use, and/or disposal of controlled substances.

**D. Inefficiencies and Errors Due to Manual Processes**

We recommended that management continue to research an appropriate automated inventory management solution. Research efforts should involve personnel from Finance and ITSD to ensure the feasibility of purchasing and installing such as system.

**Status: Implemented**

SAFD initiated a CRQ with ITSD in October 2014 to research the possibility of implementing additional SAP features (including barcode scanners). ITSD has since recommended potential solutions and SAFD is working towards selecting and implementing one of them. Furthermore, management implemented improved tracking and monitoring controls to assist in mitigating the risk of manual errors until automated controls can be put into place.

## **Appendix A – Staff Acknowledgement**

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Sandy Paiz, CFE, Audit Manager  
Bruce Coleman, CIA, CISA, Auditor in Charge  
Sergio Gamez, Audit Intern

## Appendix B – Management Response



### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

September 10, 2015

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

RE: Management's Acknowledgement of its Review of the Follow-Up Audit of San Antonio Fire Department Drug Inventory Management.

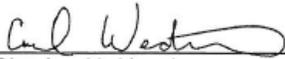
San Antonio Fire Department has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

San Antonio Fire Department:

Fully Agrees

Does Not Agree (provide detailed comments)

Sincerely,

 For  
\_\_\_\_\_  
Charles N. Hood  
Fire Chief  
San Antonio Fire Department

09/10/2015  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Erik Walsh  
Deputy City Manager  
City Manager's Office

9/14/15  
\_\_\_\_\_  
Date