



# CITY OF SAN ANTONIO

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SAN ANTONIO TEXAS 78283-3966

December 12, 2012

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Mayor

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**Elisa Chan**  
Councilwoman, District 9

**Carlton Soules**  
Councilman, District 10

**SUBJECT: Audit Report of Metropolitan Health District Drug Inventory Management**

Mayor and Council Members:

We are pleased to send you the audit report of the Metropolitan Health District Drug Inventory Management. This audit began in May 2012 and concluded with an exit meeting with department management in October 2012. Management's verbatim response is included in Appendix B of the report. The Metropolitan Health District should be commended for its 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,

A handwritten signature in black ink, appearing to read "Kevin W. Barthold".

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**



Audit of San Antonio Metropolitan Health District

Drug Inventory Management

Project No. AU12-006

December 12, 2012

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 an audit of the San Antonio Metropolitan Health District's (Metro Health) drug inventory management. The audit objective, conclusion, and recommendations follow:

### **Is Metro Health adequately managing its drug inventory?**

Yes, Metro Health is adequately managing its drug inventory. New policies and procedures provide guidance to staff, reconciliations are performed monthly, and inventory processes are segregated or have adequate compensating controls.

However, Metro Health did not record in-kind drug inventory as it was received nor during the quarterly inventory counts; total in-kind drug inventory exceeded \$1.5 million for fiscal year 2012. Additionally, we found that user access controls over the enhanced San Antonio Immunization Registry System (eSAIRS)<sup>1</sup> could be improved to better protect patient data.

We recommend that the Director of Metro Health:

- Ensures that in-kind drug inventory is recorded in SAP as it is received. Also, to ensure that the department has correct ending in-kind drug inventory balances, Metro Health should record adjustments in SAP during the quarterly counts.
- Implements additional controls over eSAIRS user access, such as increasing the requirements for password resets and regularly monitoring user access.

Metro Health Management's verbatim response is in **Appendix B** on page 7.

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<sup>1</sup> eSAIRS is primarily a registry for immunization records; however, it also houses the electronic vaccine inventory records for the Immunization Division.

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## Background

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San Antonio Metropolitan Health District's (Metro Health) mission is to provide leadership and services for San Antonio and Bexar County to prevent illness and injury, promote healthy behaviors, and protect against health hazards. This aim is accomplished through a broad array of services and programs, including medical services provided directly by Metro Health. Specifically,

- The Immunization Division provides vaccines to patients at its two immunization clinics and through special events.
- The STD/HIV Clinic provides testing and treatment for the most common sexually transmitted diseases.
- The Tuberculosis (TB) Clinic offers services for the diagnosis, treatment, and prevention of tuberculosis in high risk populations.
- The Dental Division provides dental services - including diagnosis, fluoride treatment, sealant application, and counseling – which are provided to the community primarily through Early Head Start, Head Start, and Miles of Smiles.
- The Communicable Disease Epidemiology Section also provides services throughout the community, treating uninsured patients exposed to communicable diseases, such as pertussis and meningitis, and providing case management to infants born to mothers who are positive for hepatitis B.
- The Public Health Emergency Preparedness Division stockpiles select medicines to be used for emergency responses.
- The Class D Pharmacy supports the STD/HIV Clinic and the Communicable Disease Epidemiology Section, as well as emergency kits at the four clinics.

The funds Metro Health uses to purchase drug inventory come from a variety of grants, as well as the City's general fund. A majority of the drug inventory received in fiscal year 2012 was in-kind (i.e. the grantors provided the inventory directly rather than providing the funds to purchase the inventory). Fiscal year 2012 drugs, chemicals, and medical supplies inventory totaled over \$2.1 million, including \$1.5 million of in-kind drug inventory.

Metro Health began reviewing its inventory procedures in January 2012 to better manage the drugs and vaccines used for daily treatments and those maintained for emergency responses. As a result of the review, Metro Health implemented *Policy and Procedures Manual for Drug and Vaccine Inventory Management*, which became effective May 1, 2012.

## Audit Scope and Methodology

The audit scope was from October 2010 through June 2012; however, auditors focused primarily on current practices to capture the inventory management procedures that were implemented May 1, 2012.

We interviewed Metro Health staff, observed inventory processes, and reviewed relevant documentation including Metro Health's *Policy and Procedures Manual for Drug and Vaccine Inventory Management* (effective May 1, 2012), the Immunization Division's *SAIRS Security and Confidentiality Policy* (effective June 15, 2012), Administrative Directive 7.6, *Security and Passwords*, Administrative Directive 8.10, *Financial Management of Grants*, and Administrative Directive 8.12, *General Accounting Requirements and Timelines*.

For each of the ten sites, we verified that reconciliations were performed for May, June, and July 2012. One or more reconciliations from each site was judgmentally selected and tied to support documentation. We also determined if discrepancies were identified, addressed, and resolved.

We observed inventory controls to determine if the drugs were properly safeguarded. Additionally, we reviewed orders and packing slips to determine if the process for ordering and receiving inventory was appropriately segregated as of May 1, 2012. We also reviewed temperature logs to confirm that the temperatures of vaccines and TB skin tests were adequately monitored and performed inventory counts at each site.

We relied on computer-processed data in SAP<sup>2</sup> to trace fiscal year 2012 third quarter inventory counts to SAP journal entries. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We also relied on computer-processed data in the enhanced San Antonio Immunization Registry System (eSAIRS)<sup>3</sup> to verify that vaccine usage was prioritized based on expiration dates (using all available data, which was for July 8, 2011 through August 30, 2012). Our reliance was based on performing direct tests on the data and limited testing of the general controls, rather than evaluating all of the system's general and application controls. We do not

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<sup>2</sup> The City's financial accounting system

<sup>3</sup> eSAIRS, the enhanced San Antonio Immunization Registry System, is primarily a registry for immunization records; however, it also houses the electronic vaccine inventory records for the Immunization Division.

believe that the absence of testing additional general and application controls had an effect on the results of our audit.

We conducted this audit from May 2012 to October 2012 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.

## Audit Results and Recommendations

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### A. No Recognition of In-Kind Drug Inventory

Metro Health did not record in-kind drug inventory revenue, totaling over \$1.5 million for FY2012, in SAP. Additionally, while Metro Health performs an inventory count of the in-kind drugs quarterly, it does not record the results in SAP.

Per Administrative Directive (AD) 8.10, *Financial Management of Grants*, Metro Health is responsible for entering in-kind entries in SAP for posting by Finance. Additionally, AD 8.12, *General Accounting Requirements and Timelines* requires that materials and supplies inventories be counted at least annually during the last week of the fiscal year and recorded in SAP. Not recording in-kind drug inventory in SAP results in incomplete financial records.

During this audit, Metro Health recorded a fiscal year 2012 third quarter in-kind inventory ending balance of \$222,000 for the Immunizations Division, the STD/HIV Clinic, and the TB Clinic.

### Recommendation

The Department Director should ensure that in-kind drug inventory is recorded in SAP as it is received. Also, to ensure that the department has correct ending in-kind drug inventory balances, Metro Health should record adjustments in SAP during the quarterly counts.

### B. Insufficient Controls over eSAIRS

Metro Health has insufficient controls over the resetting of enhanced San Antonio Immunization Registry System (eSAIRS) passwords by phone. Users must call the help desk to reset their passwords if unable to answer the system's security questions. The help desk only asks for the username and clinic, which does not provide sufficient user authentication. Additionally, eSAIRS user access is not adequately monitored. Currently, Metro Health has no policies requiring regular review and removal of user access, instead relying on the users and their supervisors to request access removal.

The *SAIRS Security and Confidentiality Policy*, effective June 15, 2012, states, "Metro Health shall take reasonable measures to protect health information contained within SAIRS from physical, technical, and administrative loss, theft, and unauthorized use and access." Until controls are improved, patient records within eSAIRS are at greater risk for unauthorized access.

## **Recommendation**

The Department Director should implement additional controls over eSAIRS user access, such as increasing the requirements for password resets and regularly monitoring user access.

## **Appendix A – Staff Acknowledgement**

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Rebecca Moulder, CIA, Auditor in Charge

## Appendix B – Management Response



### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

November 29, 2012

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

RE: Management's Corrective Action Plan for the Audit of Metro Health Drug Inventory Management

Metro Health has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	<p><b>Recognition of In-Kind Drug Inventory</b>                      The Department Director should ensure that in-kind drug inventory is recorded in SAP as it is received. Also, to ensure that the department has correct ending in-kind drug inventory balances, Metro Health should record adjustments in SAP during the quarterly counts.</p>	4	Accept	Julie Sandoval, Department Fiscal Administrator	November 30, 2012
	<p><b>Action plan:</b>                      Metro Health Fiscal Operations will work with the Program Managers from all Divisions to ensure that in kind is recorded in SAP on a monthly basis. Program staff will submit documentation for in kind drugs received during the month with the monthly reconciled inventories. Metro Health Fiscal Operations will also record any inventory adjustments in SAP during the quarterly consumables inventory counts to ensure that Metro Health has the correct in kind drug inventory ending balance.</p>				
B	<p><b>Controls over eSAIRS</b>                      The Department Director should implement additional controls over eSAIRS user access, such as increasing the requirements for password resets and regularly monitoring user access.</p>	5	Accept	Christine Rutherford-Stuart, Assistant Director	March 31, 2013

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p><b>Action plan:</b></p> <p><b>Password Reset Controls</b>                      Metro Health shall implement the password reset controls by January 3, 2013 to include:</p> <ol style="list-style-type: none"> <li>1. Modifying the SAIRS User Security and Confidentiality Agreement to collect additional verifying information.</li> <li>2. Instituting password reset procedures via the helpdesk only if the user can provide a valid username and answers at least two authentication questions and following up with an email when a password is reset. If no email address is on file then a phone call shall be placed to the clinic of record.</li> </ol> <p><b>Regular Monitoring</b></p> <ol style="list-style-type: none"> <li>1. Metro Health is currently in the process of reviewing and updating user access lists and creating new roles within SAIRS to facilitate monitoring. By March 31, 2013 a process will be in place which will include regular monitoring of SAIRS user access.</li> </ol>				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

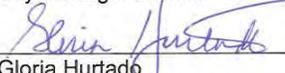
Sincerely,

  
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 Thomas L. Schienker, MD, MPH  
 Director  
 Metro Health Department

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 Date

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

11/30/12  
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 Date

  
 \_\_\_\_\_  
 Gloria Hurtado  
 Assistant City Manager  
 City Manager's Office

11/30/2012  
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 Date