

**Mission:**

To protect, promote & improve the health of all people in Florida through integrated state, county & community efforts.



**Rick Scott**  
Governor

**John H. Armstrong, MD, FACS**  
State Surgeon General & Secretary

**Vision:** To be the Healthiest State in the Nation

April 7, 2014

John H. Armstrong, MD, FACS  
Surgeon General & Secretary  
4052 Bald Cypress Way  
Tallahassee, Florida 32399

Dear Dr. Armstrong:

Pursuant to Section 20.055(5)(g), *Florida Statutes*, our office is to update you on the status of corrective actions taken since September 26, 2013 when the Auditor General published its Report Number 2014-14, *Department of Health Central Pharmacy, Selected Administrative Activities, and Prior Audit Follow-up*. Management's assessment of the current status of corrective actions is included in the attached document.

At six months after publication, management reports they have initiated all corrective actions made in response to recommendations from the Office of the Auditor General's report. Twelve corrective actions are completed and two are still in process.

If I may answer any questions, please let me know.

Sincerely,

James D. Boyd, CPA, MBA  
Inspector General

JDB/kir  
Attachment

cc: Michael J. Bennett, CIA  
Director of Auditing  
Kathy DuBose, Coordinator  
Joint Legislative Auditing Committee



*Status of Findings*

Report # 2014-014  
 Report Title: Department of Health Central Pharmacy, Selected Administrative Activities, and Prior Audit Follow-Up audit  
 Report Date: April 7, 2014

Number	Finding	Recommendation	Corrective Action Plan	Status of Corrective Action Plans
1	The Central Pharmacy did not ensure that all drug formularies were reviewed, certified, or approved.	We recommend that the drug formularies be reviewed no less than once each year and that the reviews and approvals are made a matter of record.	Bureau of Public Health Pharmacy (BPHP) will perform the following actions to address this finding:  1. Developed a new Charter containing the responsibilities for formulary review under the Scope of Work paragraph, and included a paragraph explaining the procedure for Formulary Consideration;  2. Quarterly meetings have been established by the approved charter. First meeting date is to be determined;  3. Amendment to the Charter will be developed to include "Formulary Review" in the master agenda as stated in the Charter.	1. Previously completed.  2. Previously completed.  3. The amendment to the Charter has been developed to include a "Formulary Review". However, the Pharmaceutical & Therapeutics Committee cannot meet until a Chairperson is appointed by executive management.
2	Opportunities for improvement of the Department's pharmaceutical inventory management controls were identified.	We recommend that the Department enhance its pharmaceutical inventory management controls to better ensure accountability for pharmaceutical inventories. Additionally, the Department should enforce its physical inventory procedures and clearly document the physical inventory count performed, the comparison of the physical inventory counts and the related inventory records, and the investigation and resolution of differences.	BPHP will perform the following actions to address this finding:  1. Review and revise the existing Internal Operating Procedures (IOP) relative to inventory controls to ensure the procedures reflect actual process;  2. Enhance the supporting inventory systems to ensure optimum utilization for inventory control;  3. Ensure staff is properly and completely trained in inventory management procedures including the proper use of the supporting documentation;	1. <b>Completed.</b> IOP 22-13, <i>Central Pharmacy Ordering Inventory</i> , has been revised to reflect the actual inventory processes to address adequate segregation of duties between ordering, receiving, stocking, and inventory reconciliation.  2. <b>Completed.</b> A Pharmaceutical Forms System (PFS) reorder/stock form was implemented to establish appropriate stocking reorder points based upon need/usage.  3. <b>Completed.</b> Staff has been and continues to be trained. Each new employee to BPHP must sign an Attestation to document the employee has read and understands IOP 22-13, <i>Central Pharmacy Ordering Inventory</i> . Then management conducts practical application training to validate that the employee can perform the function in accordance with written procedure. Existing employees were also required to sign the Attestation and be observed.



# Status of Findings

Report # 2014-014  
 Report Title: Department of Health Central Pharmacy, Selected Administrative Activities, and Prior Audit Follow-Up audit  
 Report Date: April 7, 2014

Number Finding	Recommendation	Corrective Action Plan	Status of Corrective Action Plans
3	<p>The county health departments (CHDs) did not consistently use the Department's PFS when returning damaged and expired drugs to the Central Pharmacy.</p> <p>We recommend that the BPHP (as Bureau of Statewide Pharmaceutical Services' successor) continue to encourage the CHDs to use the PFS to properly document the shipment of all returned prescription drugs to the Central Pharmacy. We also recommend that the Department consider incorporating provisions in its contracts with the CHDs requiring the utilization of the PFS.</p>	<p>4. Develop measurements to determine and monitor errors and interventions and aid in corrective actions;</p> <p>5. Establish periodic inventory counts to determine variance from supporting inventory records.</p> <p>Although BPHP currently has no purview over the CHDs to enforce compliance, the following actions will be performed to continue the CHDs to follow proper procedures when returning prescription drugs:</p> <ol style="list-style-type: none"> <li>1. The issue will be included as a recurring agenda item on the monthly Statewide Pharmacist conference call;</li> <li>2. A review and revision of current external procedures (DOHP 359-1-12) and IOP's relative to the return of product to ensure the clarity and comprehensiveness of procedures;</li> <li>3. Ensure staff is properly and completely trained in returned product procedures including the proper use of the supporting documentation;</li> <li>4. A memorandum will be developed for dissemination to CHDs detailing the proper procedure for returning product emphasizing the exclusive use of the PFS Returned Goods form;</li> </ol>	<p><b>4. Completed.</b> We created a monthly error report to identify medication and dispensing errors. The Continuous Quality Improvement Committee, each quarter, reviews a summary of the error reports to identify opportunities for improvement.</p> <p><b>5. Completed.</b> We implemented a double-count system whereby every inventory item in the building is counted by two separate teams. Every item is counted monthly. Additionally, high-dollar, high-volume items are counted more frequently. Random spot counts were also added. The actual reconciliation of the count is performed by BPHP management.</p> <p><b>1. Completed.</b> The return of quarantined/expired pharmaceuticals is discussed on the Statewide Pharmaceutical conference call when needed.</p> <p><b>2. Completed.</b> DOHP 395-1-12 was reviewed to determine if a revision was necessary. Management determined a revision was not necessary, but having staff adhere to the policy was necessary to ensure drugs are properly returned.</p> <p><b>3. Completed.</b> We reviewed and revised IOP-44-13, Quarantine and Disposition of Pharmaceuticals. Each new employee to the Bureau must sign an Attestation to document the employee has read and understands IOP-44-13. This is a separate Attestation from the attestation cited in 2.3 above. Existing employees were also required to sign the Attestation.</p> <p><b>4. Completed.</b> A bulletin was completed in lieu of a memorandum and placed on the PFS Bulletin page. This page is the first page CHD pharmacy staff see when logging on to the PFS.</p>



## Status of Findings

Report # 2014-014

Report Title: Department of Health Central Pharmacy, Selected Administrative Activities, and Prior Audit Follow-Up audit

Report Date: April 7, 2014

Number	Finding	Recommendation	Corrective Action Plan	Status of Corrective Action Plans
4	Additional analyses of overstocked and expired drug supplies may assist the Department in reducing losses incurred upon disposition.	We recommend that the Department establish procedures to estimate the costs of drugs returned and calculate the related losses incurred. Analyses of the types and quantities of returned drugs should also be made to assist the Department in minimizing future losses. The Department should also implement procedures to verify that the amounts received are reasonable in relation to the types and quantities of the drugs returned and that the fees paid are consistent with contract requirements.	BPHP will perform the following actions to address this finding:  1. Implement a "True-Cost" method of analysis based on the actual cost of the product returned compared to the credit received to determine a loss rate;	<ol style="list-style-type: none"> <li><b>Completed.</b> BPHP management subsequently concluded the "true-cost" method of analysis was not an appropriate corrective action. We now review total sales against the Guaranteed Returns credits to determine a ratio. Our goal is to reduce the dollar amount of Guaranteed Returns credits. This minimizes obsolete, expired, and unusable inventory.</li> </ol>
5	The Central Pharmacy did not maintain documentation to evidence the Department's determination of insurable values for pharmaceuticals.	We recommend that the Central Pharmacy periodically determine the value of its pharmaceuticals on hand and maintain documentation to evidence the Department's determination of the amount of insurance coverage needed for pharmaceuticals in the Central Pharmacy and its warehouse.	BPHP will perform the following actions to address this finding:  1. Implement a monthly inventory reporting of current On-Hand amounts to be conducted and submitted on the last business day of the month to develop a baseline for an average to determine inventory coverage;	<ol style="list-style-type: none"> <li><b>Completed.</b> A bulletin was completed in lieu of a memorandum and placed on the PFS Bulletin page. This page is the first page CHD pharmacy staff see when logging on to the PFS.</li> <li><b>Completed.</b> A draft Action Report was submitted through the Division to the Deputy Secretary level. The Action Report has not been signed. Bureau management has subsequently concluded the Action Report is not necessary to correct issues identified by the Office of the Auditor General. CHD pharmacy staff will be encouraged to use the PFS.</li> </ol> <ol style="list-style-type: none"> <li><b>Completed.</b> BPHP management has reviewed Certificates of Insurance and performs monthly inventory on-hand value of all pharmaceuticals in store to monitor and ensure there is sufficient insurance coverage. Bureau management would apply for more coverage.</li> <li><b>Completed.</b> An internal written procedure, <i>Reporting On-Hand Inventory</i>, has been completed to provide guidance to BPHP staff for the appropriate process of reporting on-hand inventory.</li> </ol>



*Status of Findings*

Report # 2014-014  
 Report Title: Department of Health Central Pharmacy, Selected Administrative Activities, and Prior Audit Follow-Up audit  
 Report Date: April 7, 2014

Number	Finding	Recommendation	Corrective Action Plan	Status of Corrective Action Plans
6	Medicaid billing procedures did not ensure that all eligible claims were submitted and reimbursed.	We recommend that the Central Pharmacy work with CHDs to enhance the Department's Medicaid billing procedures for prescribed drugs to improve the effectiveness and efficiency of the procedures and to ensure all eligible claims are submitted for reimbursement. Consideration should be given to clarifying in the Department's financial procedures, the responsibilities of the Department and the CHDs for submitting claims for Medicaid reimbursements.	BPHP will perform the following actions to address this finding:  1. A review and revision of current external procedures (DOHP 395-1-12) and IOPs relative to the Medicaid Billing procedures to ensure the clarity and comprehensiveness of procedures;  2. Ensure staff is properly and completely trained in the correct method of applying for Medicaid reimbursement to reduce the number of denied claims;	<ol style="list-style-type: none"> <li><b>Completed.</b> DOHP 395-1-12 was reviewed to determine if a revision was necessary. Management determined a revision was not necessary.</li> <li><b>Completed.</b> The number of BPHP staff able to process Medicaid reimbursement claims has been expanded to five persons. Another key improvement has been to add all Medicaid-eligible drugs (both 340B and non-340B program drugs) to PFS so that CHD staff can select any eligible drug. These improvements have increased DOH's number of submitted claims for Medicaid reimbursement. Further, a bulletin has been added to the PFS Bulletin page. This page is the first page CHD pharmacy staff see when logging on to the PFS. This informs CHD pharmacy staff that many more drugs are available for Medicaid reimbursement.</li> </ol>
7	To lower the State's pharmaceutical costs, the Department should study the feasibility of the expanded use of the Section 340B Pricing Program.	To take advantage of potential cost savings through the Section 340B Drug Pricing Program, the Department and the Department of Corrections (DOC) should consider expanding, to the extent practical, the Sexually Transmitted Disease (STD) Specialty Care Project to serve all of the DOC's HIV-infected inmate population. The Department should also determine the feasibility and potential cost savings to the State of entering into similar agreements with other State agencies and seek Legislative authority as needed.	<ol style="list-style-type: none"> <li>Develop and implement procedures for the reconciliation of denied claims;</li> <li>Expand the ability of the Business Operations Office to allow more Central Pharmacy staff to make application for Medicaid reimbursement.</li> </ol>	<ol style="list-style-type: none"> <li><b>Completed.</b> A written procedure, <i>Procedure for Processing Denials</i>, has been published. This is an internal procedure to BPHP. Once an error in originally submitted and denied claims is identified and corrected, eligible claims are resubmitted to Medicaid. Reimbursement is ultimately realized.</li> <li><b>Completed.</b> E-mail verifying purchase of CE2000 Software for Medicaid Licenses. Five staff have been added to this initiative.</li> </ol>
7	To lower the State's pharmaceutical costs, the Department should study the feasibility of the expanded use of the Section 340B Pricing Program.	To take advantage of potential cost savings through the Section 340B Drug Pricing Program, the Department and the Department of Corrections (DOC) should consider expanding, to the extent practical, the Sexually Transmitted Disease (STD) Specialty Care Project to serve all of the DOC's HIV-infected inmate population. The Department should also determine the feasibility and potential cost savings to the State of entering into similar agreements with other State agencies and seek Legislative authority as needed.	BPHP will perform the following actions to address this finding:  1. BPHP will work in partnership with DOC to expand the STD Specialty Care Project;  2. BPHP will research the feasibility and possibility of expanding to other state agencies.	<ol style="list-style-type: none"> <li><b>Completed.</b> BPHP management has analyzed and concluded that DOC has no more correctional facilities that can be added to the contract.  Furthermore, we have determined there are no other state agencies that would benefit from this program.</li> </ol>



*Status of Findings*

Report # 2014-014  
 Report Title: Department of Health Central Pharmacy, Selected Administrative Activities, and Prior Audit Follow-Up audit  
 Report Date: April 7, 2014

Number	Finding	Recommendation	Corrective Action Plan	Status of Corrective Action Plans
8	The Department's pharmaceutical budget and expenditure allocation procedures for the CHDs did not ensure that CHD pharmaceutical budgets and expenditures were reasonably allocated and properly monitored.	We recommend BPHP (as BSPS successor) implement procedures, such as independent review, to ensure that budget allocation formulas are accurate and contain all relevant data and that a consistent methodology is used. Documentation should also be maintained to explain reasons for any changes in allocation formulas and methodologies. Additionally, we recommend the Bureau consider enhancements to existing systems and procedures to streamline the CHD budget and expenditure allocation process and to provide for reconciliation of expenditures charged to the CHDs to expenditures recorded in Florida Accounting Information Resource Subsystem (FLAIR).	Previously Completed.	Previously Completed.
9	Information technology (IT) access to Department applications was sometimes not timely revoked upon employee termination or transfer.	We recommend that the Department strengthen controls to better ensure the timely removal of access privileges of former employees and employees no longer requiring access. We also recommend that a record be maintained to demonstrate timely deactivation of access privileges for terminated employees.	Bureau of General Services will provide staffing terminations or transfers to all impacted systems using an alerting notification email.	Complete. Each day, payroll/leave and attendance staff send out an email to the office and copy the IT identity desk to notify them of separation PARs that have been completed
10	The Department did not timely remove FLAIR access privileges of former employees.	We recommend the Department strengthen controls to ensure that FLAIR access privileges are timely removed when no longer needed.	1. A distribution list has been developed that enables the personnel office to send out a notice to the FLAIR Administrator and his staff at the time employees leave the agency. This will enable a timely deactivation of FLAIR access.  2. In addition, the FLAIR Administrator will complete a monthly manual reconciliation of FLAIR access to active PeopleFirst employees.	Complete.
11	The Department did not always timely cancel purchasing cards upon the cardholder's separation from Department employment.	We recommend that the Department continue its efforts to enhance procedures for identification of terminated employees to ensure the timely cancellation or deactivation of purchasing cards upon a cardholder's separation from the Department.	1. A distribution list has been developed that enables the personnel office to send out a notice to the Purchasing Card Administrator at the time employees leave the agency. This will enable a timely cancellation of purchasing cards.  2. In addition, the Purchasing Card Administrator will perform monthly manual audits to ensure all departed employees purchasing cards have been cancelled.	Complete.



*Status of Findings*

Report # 2014-014  
 Report Title: Department of Health Central Pharmacy, Selected Administrative Activities, and Prior Audit Follow-Up audit  
 Report Date: April 7, 2014

Number	Finding	Recommendation	Corrective Action Plan	Status of Corrective Action Plans
12	Approved Dual Employment Compensation Requests were not available for Department employees who had a vendor relationship with the Department.	We recommend that the Department obtain and process properly completed Requests for the ten employees identified by our audit tests. We also recommend that the Department continue to communicate the need to adhere to established policies regarding additional employment. Further, we recommend that the Department review and make appropriate changes to its computer matching process to better identify any employees who may also have a vendor relationship with the Department. For any employees identified, the Department should ensure that the additional employment resulting from the vendor relationship has been reported to and appropriately reviewed by the employees' supervisors and that such additional employment does not constitute a prohibited conflict of interest.	The computer matching process will be changed to better identify employees with a vendor relationship with the Department.	From discussion between the two parties, Systems and Human Resources (HR), it was uncovered that the originally developed application was not able to be used by HR; therefore, it is in the process of being readdressed, redesigned, and reprogrammed to provide the needed information.
13	CHD staff did not always conduct appropriate leave balance audits for employees separating from Department employment.	We recommend that the Department more closely monitor the performance of leave balance audits of the records of terminating employees.	HR will randomly select a percentage of separation transactions for all CHDs on a bi-annual basis for completed leave audits.	<b>Complete.</b> On 03/13/2014, 11 random samplings were completed and requests for leave audits were emailed to the personnel liaisons in the county health departments. This process will be repeated on a bi-annual basis.
14	The Department procedures for noncompetitive contract procurement required the use of three forms to document contracting decisions: a Memorandum of Negotiation, Documentation for Noncompetitive Procurement, and a Cost/Price Analysis. While we noted that completed forms were generally present in the contract files tested, the explanations and information contained therein were not reflective of concerted staff efforts to procure the necessary services at an appropriate price.	The Department should improve its contracting procurement process to ensure that contracting decisions are based on concerted efforts to procure services at an appropriate price. The Department should also ensure that contracting documentation contains evidence of concerted staff efforts to comply with the intent of the Department procurement policy and procedures.	Children's Medical Services (CMS) has already provided direction to its contract managers on how to better document non-competitive procurement. CMS also expects to identify a lead worker for contracts, so that all contract manager staff have a point person within the program to ask questions and ensure improved performance.	<b>Complete.</b> CMS has identified a lead worker for contracts to provide technical assistance for other contract managers.