

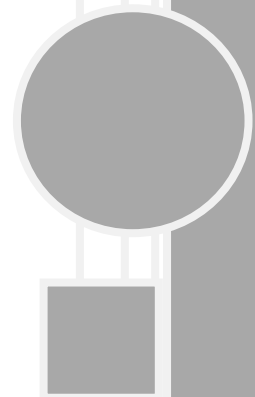


# AUDIT REPORT

DALLAS COUNTY

FOREIGN TRAVEL VACCINE - FY2019

Darryl D. Thomas  
Dallas County Auditor  
ISSUED: November 04, 2019  
RELEASED: December 12, 2019



# FOREIGN TRAVEL VACCINE - FY2019

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This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department



**DALLAS COUNTY**  
COUNTY AUDITOR

**MANAGEMENT LETTER**

Dr. Philip Huang  
HHS Director  
Dallas, Texas

Attached is the County Auditor's final report entitled "**Foreign Travel Vaccine - FY2019**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail except to the auditee.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

A handwritten signature in blue ink that reads "Darryl D. Thomas".

Darryl D. Thomas  
County Auditor

## **EXECUTIVE SUMMARY**

Health and Human Services (HHS) - International Travel has the principal areas of responsibility to provide Dallas County citizens with lower cost alternatives to vaccinations required by schools and other governmental agencies. The department is a part of the Preventative Health unit and consists of one nursing supervisor, four clerks, a cashier, and two nurses. The International Travel Office is located in the Dallas County Health and Human Services building located at 2377 North Stemmons Freeway, Dallas, Texas.

### **Summary of Significant Observations**

- No significant observations

### **Repeat Observations from Previous Audits:**

- Non-material variances.

**Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.**

## INTRODUCTION

**Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:**

- Comply with applicable laws and regulations
- Safeguard and monitor the assets of the County utilizing sound fiscal policies
- Assess risk and establish and administer adequate internal controls
- Accurately record and report financial transactions of the County
- Ensure accurate and timely processing of amounts due to County employees and vendors
- Set an example of honesty, fairness and professionalism for Dallas County government
- Provide services with integrity
- Work in partnership with all departments to resolve all issues of the County
- Strive to utilize the latest efficient and effective technology in the performance of tasks
- Provide technical support and training in the development, implementation, and maintenance of information systems
- Hold ourselves accountable to the citizens of the County at all times
- Be responsive to the elected officials and department heads of Dallas County

The objectives of this audit are to:

1. Ensure compliance with statutory requirements
2. Evaluate internal controls
3. Verification of accuracy and completeness of reporting
4. Review controls over safeguarding of assets

On September 3, 2019, Internal Audit staff performed the annual physical vaccine inventory of International Travel for the period then ended as a part of ongoing review of Health & Human Services (HHS) financial controls. The purpose of this review was limited to the reconciliation of departmental records to physical count and the official general ledger. Other procedures for testing internal control and any findings are reported separately. This report details the flow of vaccines into and out of the department, and lists the physical balances, by vaccine, at month end. There was no perpetual inventory in place at the time of this review. This audit covered the period of September 1, 2018 through August 31, 2019.

The audit procedures will include interviews with key process owners, a physical count of inventory, review of current pricing for vaccines purchased, and comparison of purchase orders to the general ledger.

## DETAILS

### **Vaccine Count Variances**

The Foreign Travel Vaccine section of Health and Human Services (HHS) purchases vaccines from multiple vaccine suppliers. Inventory tracking is accomplished by the use of the TWICES and Adult Biological Reports. The book inventory value is derived from the Monthly Adult Biological Reports (Actual Physical Count Prior Month + Dose Received Current Month + Usable Doses Returned Current Month – Doses Administered Current Month – Expired Doses Returned Current Month – Doses Transferred Out Current Month) as reported by HHS. HHS completes a self-inventory each month that is compared to the calculated inventory. The monthly beginning inventory counts are adjusted based on the self-inventory counts. Vaccine inventory costs are recorded to the general ledger expenditure accounts with a year-end adjustment to the inventory value based on a physical count performed by Internal Audit.

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Inventory result fiscal year comparisons are as follows:

	<u>Units</u>	<u>Inventory</u>	<u>Average</u>
August 2019	3,496	\$257,421.42	\$73.63
August 2018	<u>6,050</u>	<u>\$373,275.42</u>	<u>\$61.70</u>
Net Change	<u>(2,554)</u>	<u>\$(115,854.00)</u>	<u>\$11.93</u>

The physical inventory value of \$257,421.42 as of August 31, 2019 will be updated to reflect actual value as of September 30, 2019 for reporting on the CAFR.

<b>Description</b>	<b>Sept '18 thru Aug '19</b>	<b>Sept '17 thru Aug '18</b>	<b>Increase / (Decrease)</b>	<b>Percentage Change</b>
Patients Seen	3,715	3,742	(27)	-.0722%
Adjusted Vaccine Purchases (only)	\$598,942.24	\$503,699.76	\$95,242.48	18.909%
Revenue	\$546,370.28	\$500,447.69	\$45,922.59	9.176%

The calculated count and value of vaccine inventory on the Biological Report as of the month ended August 2019 as compared to the physical count performed September 3, 2019 revealed recording errors in the department's reporting of vaccines transferred in/out, doses administered, and doses expired or wasted resulting in a net variance of 301 vaccines valued at \$8,879.75. The overall physical count reflects more inventory on hand than reported by the department.

County Code Sec. 90-373 states that all department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records and Sec. 90-351 responsible to ensure that the property inventory records are up to date and accurate in all respects. (Admin. Policy Manual, § F (3.02, 3.03)).

Best practices require separation of duties, documented procedures, and immediate reconciliation and updates for transactions. Inventory control procedures should include timely verification and follow-up on all variances. Inventory records should be updated timely and accurately. Vaccine count differences should be identified monthly by lot numbers and the quantity adjusted accordingly. Operational practices and review steps relevant to application interfaces should include procedural controls that provide reasonable assurance of accurate use of record counts, control totals, or some other type of logging vaccine information.

A lack of automated controls, clerical errors in maintaining vaccine counts, and inaccurate estimates for the usage of multi-use vaccine doses resulted in delays in identifying inventory variance and inaccurate inventory records. This increased the potential for financial losses to Dallas County through the misuse or misappropriation of vaccine inventory.

### **Recommendation**

#### **Vaccine Count Variances**

HHS Foreign Travel Vaccine management should implement procedures that include:

- Establishing a perpetual inventory system
- Investigating vaccine count variances between physical and book inventories monthly with all variances documented
- Adjusting inventory balances timely to ensure that lot numbers are properly recorded and referenced on all inventory transactions
- Establishing vaccine inventory controls that require balancing inventories at the end of each day

### **Management Action Plan**

Management will continue to keep track of vaccine inventory through daily logs, monthly stock taking process and the monthly reporting process. HHS will initiate a process to establish an automated vaccine inventory system to ensure that vaccine balances and values are tracked on a perpetual basis. Based on initial recommended system cost and requirements, HHS may consider placing a Program Improvement Request (PIR) in the FY2021 Budget cycle.

Vaccine lot numbers are recorded and referenced on all inventory transactions and inventory balances adjusted timely. Spoilages, expirations, and spillages are recorded on the Vaccine Waste Log to document such occurrences accompanying the end-of-month report. The majority (66%) of the variances were associated with influenza vaccines. The

majority of those vaccines were multi-dose vials which typically yield 2-3 doses more than the actual count. This inherently causes overages in balances reflected in the reporting.

HHS will continue to make timely adjustments to vaccine inventory balances with accurate lot numbers documented. Additionally, HHS will review ways to enhance the system, including consistently monitoring the vaccine inventory process to ensure that Foreign Travel staff makes such adjustments in a timely manner.

HHS will establish a consistent inventory control process that requires daily balancing of vaccine inventory. In doing so, HHS may consider incorporating periodic cycle counting techniques to affect continuous improvement inventory control.

**Auditors Response**

None

cc: Darryl Martin, Commissioners Court Administrator