



DALLAS COUNTY
COUNTY AUDITOR

Memorandum

To: Zachary Thompson
Director Health & Human Services

From: Darryl D. Thomas
County Auditor

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

Subject: International Travel
Inventory Report

DATE: Issued: October 17, 2016
Released: December 14, 2016

On August 31, 2016, our Internal Audit staff performed the annual physical vaccine inventory of International Travel for the period then ended.

Our specific procedures, findings, recommendations and departmental responses are listed in the attached report. Procedural changes regarding inventory control are needed. The report is intended for information and the use of management. We believe that enhanced record keeping procedures will allow for more effective operation and control of the inventory.

We appreciate the level of courtesy and cooperation extended during our review.

Attachments

Scope

As a part of ongoing review of Health & Human Services (HHS) financial controls, the processes relevant to HHS-International Travel (IT) vaccine inventory were tested as of August 31, 2016. 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.

Background

Principal areas of responsibility for HHS-IT are to provide Dallas County citizens 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.

Procedures

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.

Procedures included but were not limited to:

- generating listing of inventory items
- physically counting stock
- listing items issued during the taking of the inventory
- reviewing current pricing for vaccines purchased
- calculating "book" inventories based on monthly reports to Texas Department of State Health Services
- review and testing a sample of purchases and issues of vaccines
- comparison of purchases to the general ledger

Findings

1. Inventory as follows:

	<u>Unit</u>	<u>Inventory</u>	<u>Average</u>
August 31, 2016	3,188	\$ 217,895.71	\$68.35
August 31, 2015	<u>4,638</u>	<u>\$ 265,041.92</u>	<u>\$57.15</u>
Net Change	(1,450)	\$ (47,146.21)	\$ 11.20

	Sept '14 thru Aug '15	Sept '15 thru Aug '16	Increase / (Decrease)	Percentage Change
Patients Seen	4,944	4,321	(623)	-12.601%
Adjusted Vaccine Purchases (excludes supplies)	\$ 705,905.85	\$ 571,973.74	\$ (133,932.11)	-18.973%
Revenue	\$ 692,215.46	\$ 595,472.64	\$ (96,742.82)	-13.976%

Prices per dose are reviewed annually by the Assistant Director of Finance, Budget and Contracts and adjusted appropriately based on costs. Multiple vaccine suppliers are used to purchase vaccines. Inventory tracking is accomplished by the use of TWICES and Adult Biological Reports. Product cost is recorded to the General Ledger expenditure accounts with year-end reclass to inventory based on physical counts. Book inventory 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.

The calculated “Book” vaccine inventory was 11 or 0.345% units under the actual physical count on hand as of August 31, 2016. Conversion of the variance to a monetary amount based on ending inventory prices results in an \$897.37 increase needed to the “Book” inventory.

HHS completes a self-inventory each month and compares to the calculated inventory. Monthly beginning inventory counts are adjusted based on the self-inventory counts. A summary of variances (physical count over (under) calculated count) as confirmed by Internal Audit for the month of August 2016 only vaccine inventory is listed below:

PCV-13 was over by one dose totaling \$177.30
Meningococcal (Menactra) was over by one dose totaling \$109.66
Typhoid (Inject) was over by five doses totaling \$301.77
Varicella was over by two doses totaling \$235.27

Recommendations

The physical inventory value of \$217,895.71 as of August 31, 2016 will be updated to reflect actual value as of September 30, 2016 for reporting on the CAFR.

1. Establish a perpetual inventory system and determine variances between physical and book inventories monthly with variances documented throughout the year and inventory balances adjusted accordingly. Lot numbers should be properly recorded and referenced on all inventory transactions.

Response: HHS will continue to keep track of vaccine inventory through daily logs, monthly stocktaking process and the monthly reporting process. Variances in inventory between book balance and actual count will be explained and documented as is done regularly. Lot numbers will be recorded and referenced on all inventory transactions.

2. Continue annual review of fees for cost recovery.

Response: HHS will continue to review the fee schedule annually and make any necessary fee increases.

Summary

This review is intended to support management of this office in evaluating internal controls over financial issues and inventory. Adherence to and follow through with the recommendations should improve internal controls.