AUDIT REPORT

DALLAS COUNTY

FY2023 - FOREIGN TRAVEL VACCINE INVENTORY

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First Assistant County Auditor

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FY2023 - Foreign Travel Vaccine Inventory

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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

Philip Huang
HHS Director
Dallas, Texas

Attached is the County Auditor's final report entitled "**FY2023 - Foreign Travel Vaccine Inventory**" 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,

Wendwessen Stefanos, CPA
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EXECUTIVE SUMMARY

The Foreign Travel Department under Health and Human Services (HHS) is responsible for providing affordable vaccination alternatives for Dallas County residents, especially those required by schools and government agencies. This department operates under the Preventative Health unit and is located at 2377 North Stemmons Freeway within the Dallas County Health and Human Services building.

Summary of Significant Observations:

- None

Repeat Observations from Previous Audits:

- **Vaccine Inventory:** Variances between the physical vaccine count and the department inventory records.

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.

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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 asset

This audit covered the period of September 1, 2022 through August 31, 2023.

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

DETAILS

Vaccine Inventory

Criteria

Dallas County Code Section 90-373 states, "All department heads and elected officials are responsible for maintaining property assigned to their department, proper inventory records, and making appropriate reports as required".

Standard internal control procedures related to inventory management include documenting written procedures, separating inventory duties (custody of assets, recording, reviewing, and reconciling functions), performing monthly physical counts, and reconciling the physical counts with department records. Procedures also include management reviewing and supervising counts, following up on all differences, and accurately completing the inventory report.

Standard internal control procedures indicate computer applications and software used to track and record inventory clearly display accurate record counts, control totals, descriptions of items, and unique tracking numbers.

Review

On August 31, 2023, Internal Audit observed the physical count of 998 vaccine doses valued at $97,488. The department's 12 months of inventory records were reviewed. The following were identified:

- There was a difference of 141 doses between the physical count taken on August 31, 2023 and the annual compilation of department's inventory records. The total amount of the variance was $224.
- The July 1, 2023 beginning inventory counts of zero doses for Fluzone high dose and Influenza vaccines did not match the department's June 30, 2023 ending inventory count of 3,371 doses. Additionally, these vaccines were not shown to be "sent back to vaccine distribution, issued out of inventory to other providers, or subtracted from inventory" on the June 30, 2023, Adult Influenza Report.

  Status: The department updated the total influenza vaccines sent back to the vaccine distribution and subtracted from inventory on the July 2023 Adult Influenza Report, but the beginning count has not been updated.

- For nine months (September 2022 and December 2022 - July 2023), the grand total of doses on hand was not calculated accurately on the monthly International Travel/ Adult Vaccine Inventory report.
- Two vaccine lot numbers recorded on the International Travel Adult Vaccine Inventory sheet did not agree with the lot number on the vendor's packing list.
- Two doses were not reported on the Texas Wide Integrated Client Encounter System (TWICES) 2023 C5 Monthly Reports sent to the TX Department of State Health Services.

Cause/Effect

Clerical staff separately track and manually record vaccine doses administered and monthly activity on multiple spreadsheets (Monthly Vaccine Tracking, International Travel/ Adult/ Children's Vaccine inventory, Adult Influenza Report). Clerical errors and omissions are made between actual doses administered by nurses and those tracked by the department. Management relies on clerical staff to perform their duties but does not review inventory records or inventory spreadsheets for accuracy and completeness. Delays in identifying inventory differences, inventory count, and valuation errors may result in financial losses to Dallas County and missed opportunities to address process improvement and training gaps.

Recommendation

Vaccine Inventory

Management should take the following corrective actions:

- Ensure management reviews the inventory spreadsheets (Monthly Vaccine Tracking, International Travel/ Adult/ Children's Vaccine inventory, Adult Influenza Report) and other vaccine inventory reports prepared by clerical staff for accuracy and completeness.
  - Review spreadsheets to detect issues with cell totals and mathematical errors.
  - Provide Microsoft Excel training to staff.
  - Ensure staff properly account for vaccines transferred back to the distributor as a separate line item, rather than zeroing out the next month's beginning counts on hand.
- Create an additional row on the Monthly Vaccine Tracking spreadsheet that totals all vaccines on hand, purchased, used, transferred out, and wasted.
- Ensure vaccines reported by nurses on the TWICES agree with inventory records maintained by clerical staff.
  - Require nurses accurately record vaccine doses administered and wasted/ lost.
  - Ensure nurses balance end of day counts to vaccine use/loss and beginning counts, each day.

  - Discuss and resolve differences with nurses to arrive at reliable counts and seek process improvement.
- Ensure that lot numbers are properly recorded and referenced for all inventory transactions.
- Perform monthly inventory counts to update inventory records for all quantities on hand.

Management Action Plan

- The program staff has implemented the process of having program management review inventory spreadsheets for accuracy and completeness monthly. Additionally, spreadsheets have been updated to include a separate line item for vaccines that are transferred back to the vendor, and formulas have been added to assist staff with calculations. Lastly, staff will be re-trained to accurately complete the inventory spreadsheets and other vaccine inventory reports.
- The Monthly Vaccine Tracking spreadsheet has been updated to include a row for "grand total" which will total all vaccines on hand, purchased, used, transferred out, and wasted.
- The Clinic Supervisor will continue to train nursing staff to ensure vaccine doses are accurately recorded in TWICES. Additionally, clerical staff will reconcile inventory records to TWICES and report and address discrepancies with management.
- The program staff has been instructed to make timely adjustments to vaccine inventory balances with accurate lot numbers documented. In addition, the Clinic Supervisor will review the inventory report to ensure that the correct lot numbers are reflected for vaccines listed.
- The program staff will continue to perform monthly inventory counts.

Auditor's Response

- None

Vaccines Purchased

Criteria

According to the Purchasing Manual (last modified September 7, 2022), the requesting department submits a signed purchase order (PO) to the Purchasing Department for which funds have been budgeted and before the Purchasing Department orders requested goods from the vendor. The requesting department receives ordered goods from the vendor and must determine whether the goods are acceptable. Packing slips for received vaccines are submitted to Accounts Payable for matching.

Per the Accounts Payable Manual (as of August 31, 2023) Accounts Payable verifies purchase order and invoices match and an automated email from Oracle is submitted to the PO requester for approval.

Standard internal control procedures related to vaccine purchases and invoices include the department ensuring that invoices are accurate and reflect the received product; the vendors are timely and accurately paid; and complete credit memos and invoices are retained and applied to the general ledger.

Review

All 54 Foreign Travel Vaccine invoices and purchase orders requisitioned by HHS, totaling $444,825 were reviewed. The following were identified:

- Seven invoices were canceled in Oracle because of a credit balance with the vendor, but the invoices and credit memos were not posted to the general ledger to account for the expense and credit. The department provided credit statements but did not submit individual credit memos detailing which vaccines, the prices, and quantities were returned to the distributor.
- Six invoices and credit memos from a statement were combined into one Oracle invoice entry for $9,383 matched with one purchase order and paid.
  - Five separate PO numbers were created, but the invoices were not submitted to Accounts Payable and applied to the PO in Oracle. Status: invoices were provided to Internal Audit.
  - All six of the credit memos for returned vaccines were not submitted to Accounts Payable.
- Three vaccine lots were received by the department, but the invoice was not submitted to Accounts Payable for payment. The cost of inventory cannot be determined without the invoice.
- One vaccine invoice was received by the department, but not sent to Accounts Payable for payment.

Cause/Effect

The department did not provide invoices and credit memos or adhere to established Dallas County protocol. The department also did not ensure personnel consistently approved and followed up on invoices and credit memos not received by Dallas County. This can result in

inaccurate financial reporting and valuation of vaccines, hinder the Dallas County's ability to reconcile accounts, and create opportunities for loss and the misappropriation of assets.

Recommendation

Vaccines Purchased

Management should take the following corrective actions:

- Contact the vendor to ensure all invoices and credit memos issued for the return of vaccines are routed to Accounts Payable for timely processing.
- Credit memos should itemize vaccines returned with item descriptions, lot numbers, quantity returned, cost, and other credited fees.
- Match credit memos to department vaccine loss reports to ensure the vendor appropriately credits the quantity and price for vaccine returns.
- Monitor open PO's and requisitions to ensure invoices and credit memos sent from the vendor are timely received and accurately recorded in the correct accounting period.
- Ensure all invoices and credit memos are accurately and completely posted to the general ledger.
  - Refrain from canceling invoices due to a credit balance with a vendor.
  - Vendor statements listing multiple invoices should not replace individual and detailed invoices from the vendor or be submitted under a singular invoice number.
- Reconcile vendor statements to identify discrepancies and missing records.
  - Consult with Accounts Payable to resolve accounting and record discrepancies as they are identified.

Management Action Plan

- The program staff has contacted the vendor to confirm that all invoices and credit memos are currently routed to Accounts Payable.
- Credit memos are issued by the vendor and routed directly to Accounts Payable. Moving forward, the program will request the vendor to provide itemized credit memos to include item descriptions, lot numbers, quantity returned, cost and other credited fees. Additionally, program will request copies of credit memos to match to vaccine returned reports.
- The program staff will continue to monitor open purchase orders and requisitions.
- The program staff will coordinate with Accounts Payable to ensure invoices and credit memos are accurately posted to the general ledger.
- The program staff will continue to reconcile vendor statements and resolve discrepancies.

- The program staff will coordinate with Accounts Payable to resolve accounting and record discrepancies as they are identified.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator

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