AUDIT REPORT

DALLAS COUNTY

FOREIGN TRAVEL VACCINE INVENTORY - FY2020

Darryl D. Thomas
Dallas County Auditor

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FOREIGN TRAVEL VACCINE INVENTORY - FY2020

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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 Inventory - FY2020**" 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,

Darryl D. Thomas
Darryl D. Thomas
County Auditor

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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

- None identified

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, 2019 through August 31, 2020.

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 Variances

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 reclassification to inventory based on physical counts. The 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. HHS completes a self-inventory each month that is compared to the calculated inventory and verified by our Internal Audit staff. The monthly beginning inventory counts are adjusted based on the self-inventory counts.

On August 31, 2020, our 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.

Inventory result fiscal year comparisons are as follows:

	Units	Inventory	Average
August 2020	5,040	$240,598.00	$47.74
August 2019	3,496	$257,421.42	$73.63
Net Change	1,544	$(16,823.42)	($25.90)

The physical inventory value of $240,598 as of August 31, 2020 will be updated to reflect actual value as of September 30, 2020 for reporting on the CAFR.

Description	Sept '19 thru Aug '2020	Sept '18 thru Aug '19	Increase / (Decrease)	Percentage Change
Patients Seen	1,905	3,715	(1,810)	-48.721%
Adjusted Vaccine Purchases (only)	$430,454.88	$598,942.24	($168,487.36)	-28.131%
Revenue	$298,660.29	$546,370.28	($247,709.99)	-45.337%

The vaccine reports summarized for the twelve months ended August 31, 2020 revealed net vaccine count differences of 310 doses for nine vaccines totaling $4,958.94. Influenza (Fluzone .5 MDV) vaccines account for the majority of the variances with an overage of 306 doses valued at $4,873.36.

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. Written procedures for proper inventory controls should be developed and implemented. Periodic inventory counts should be performed during the fiscal year to update inventory records for all quantities on hand.

A lack of automated controls and a perpetual inventory system resulting in delays in identifying inventory variance causes and clerical errors in maintaining vaccine counts which increases the potential for vaccine losses, vaccine misappropriations, and financial losses to Dallas County.

Recommendation

Vaccine Variances

HHS Foreign Travel Vaccine management should implement procedures that include:

- 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 includes balancing 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. The program is continuing to consider options to establish an automated inventory system to ensure that vaccine balances and values are tracked on a perpetual basis. Based on operational and budget constraints due to the COVID-19 situation this initiative may need to be moved to the future program improvement request budget process.
- 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- report. The majority (98.7%) of the variances were associated with influenza vaccines. The majority of those vaccines were multidose 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 l ot 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 technique to effect continuous improvement inventory control.

Auditors Response

None

cc: Darryl Martin, Commissioners Court Administrator