

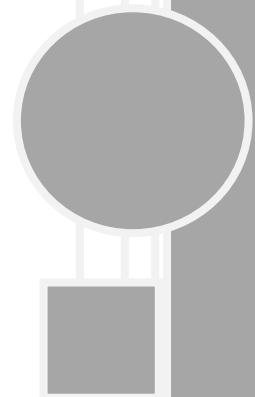


AUDIT REPORT

DALLAS COUNTY

FOREIGN TRAVEL VACCINE INVENTORY - FY2018

Darryl D. Thomas
Dallas County Auditor
ISSUED: October 15, 2018
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FOREIGN TRAVEL VACCINE INVENTORY - FY2018

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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

Ganesh Shivaramaiyer
HHS Interim Director
Dallas, Texas

Attached is the County Auditor's final report entitled "**Foreign Travel Vaccine Inventory - FY2018**" 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". The signature is written in a cursive style with a long, sweeping tail on the final letter.

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.

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 August 31, 2018, 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, 2017 through August 31, 2018.

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 Inventory 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.

The physical count of vaccine inventory performed on August 31, 2018 revealed:

	<u>Units</u>	<u>Inventory</u>	<u>Average</u>
August 2018	5,341	\$278,890.16	\$52.22
August 2017	<u>6,050</u>	<u>\$373,275.42</u>	<u>\$61.70</u>
Net Change	<u>(709)</u>	<u>\$ (93,956.26)</u>	<u>\$(9.48)</u>

Description	Sept '17 thru Aug '18	Sept '16 thru Aug '17	Increase / (Decrease)	Percentage Change
Patients Seen	3,742	4,305	(563)	-13.078%
Adjusted Vaccine Purchases (only)	\$ 503,699.76	\$798,621.50	\$(294,921.74)	-36.929%
Revenue	\$ 500,447.69	\$600,777.66	\$(100,329.97)	-16.700%

The net calculated book value of vaccine inventory for August was twelve units or 0.225% under the actual physical count on hand as of August 31, 2018. Conversion of the net variance for the month of August to a monetary amount based on ending inventory prices results in a \$475.60 adjustment to increase the book value of inventory.

A summary of physical count variances over (under) calculated count as confirmed by the audit team on August 31, 2018 revealed vaccine inventory variances for a total of \$468 for six vaccines for the month of August 2018 only as follows:

- IPV over by one dose totaling \$29.54
- MMR was over by one dose totaling \$70.72
- Menactra (Meningococcal) was under by one dose totaling (\$109.62)
- Poly Typhoid was over by four doses totaling \$258.44
- Varicella was over one dose totaling \$124.30
- Flu zone QIV .5 MDV was over by six doses totaling \$94.62

A summary of the Biological Report for the twelve months ended August 31, 2018 revealed the following net vaccine count differences:

Vaccine Name	Quantity	Value
KINRIX (PED)	-1	\$ (47.55)
HEP A (PED)	-1	\$ (25.54)
PCV13	-1	\$ (200.67)
HEP A	2	\$ 78.72
HPV9 Gardasil	-1	\$ (208.92)
IPV	7	\$ 210.00
MENACTRA - MCV-4	-2	\$ (219.24)
TYPHOID (ORAL)	-1	\$ (40.97)
TYPHOID (POLY)	30	\$ 1,938.30
VARICELLA	2	\$ 248.60
FLUZONE HIGH DOSE	-2	\$ (92.94)
INFLUENZA (.5 SDV)	-3	\$ (152.68)
INFLUENZA (.5 MDV)	-9	\$ (47.31)
INFLUENZA INTRADERMAL	3	\$ 50.87
TOTALS		\$ 1,490.67

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, § (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.

A lack of automated controls and a lack of a perpetual inventory system resulted in inaccurate inventory records due to clerical errors and delayed detection of inventory variances. This increased the potential for financial losses to Dallas County due to the risk associated with lost or misappropriated vaccines.

Recommendation

Vaccine Inventory Variances

HHS Foreign Travel Vaccine management should pursue establishing a perpetual inventory system and 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.
- Controls that require balancing inventories at the end of each day.

- Periodic inventory counts.

Management Action Plan

Variances in inventory between book balance and actual account are explained in the end of the month report and documentation is provided. Lot numbers are recorded and referenced on all inventory transactions. Vaccine inventory balance is adjusted timely when vaccine spoilage, expiry, waste, or spillage occurs. Documentation of waste is recorded on the Vaccine Waster Log and attached to the end of the month report. DCHHS will continue to keep track of vaccine inventory through daily logs, monthly stocktaking process and the monthly reporting process. The vaccine clerk updates inventory daily when vaccinations are distributed to the nurses. Vaccinations that were not administered to clients are returned to the vaccine clerk at the close of each business day.

Auditors Response

We know that HHS uses the TWICES system to track the in/out of vaccines, that the nurses check out and return vaccines daily, that any waste or expired vaccine information is provided. However, the regular monthly variances are not explained. Since there are monthly and yearly variances, there should be some acknowledgement that something in their tracking is not preventing unknown out of balance inventory tracking.

cc: Darryl Martin, Commissioners Court Administrator