
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of San Antonio Fire Department Medical Supplies and
Controlled Substances Inventory Management

Project No. AU18-017

October 8, 2018

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City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the San Antonio Fire Department (SAFD), specifically the Services Division. The audit objective, conclusions, and recommendations follow:

Determine if the San Antonio Fire Department is adequately managing its medical supplies and controlled substances inventory.

SAFD is adequately managing its medical supplies and controlled substances inventory. SAFD had adequate controls in place to ensure the purchasing process for medical supplies was properly segregated. SAFD had controls in place for the purchasing, receiving and final distribution of controlled substances as required by the US Drug Enforcement Agency (DEA). In addition, physical security controls safeguarding medical supplies and controlled substances were adequate. Finally, the SAFD were in compliance with controlled substance certifications in accordance to with DEA.

However, we identified one area that needed improvement. SAFD did not have accurate inventory records in SAP for the medical supplies and controlled substances.

We recommend the Fire Chief ensure:

- An inventory count is performed of all medical supplies and update SAP with the correct inventory counts and unit measures quarterly.
- SAP is updated quarterly to reflect the controlled substance manual ledger inventory count.

SAFD Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 7.

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Background

The Administrative Services Section of the SAFD is responsible for serving and supporting department personnel and external customers by providing the necessary administrative infrastructure required to sustain business operations. A component of the Administrative Services Section is the Services Division which is comprised of Fleet Management, Facilities Management, and Supplies (Fire and EMS).

The Services Division (Division) supports Fire Department operations through the procurement and distribution of medical supplies and drug inventory. The Division is responsible for delivering EMS and Fire medical supplies to fire personnel in the field. They deliver medical supplies to fire stations across the city each day. This Division also manages the purchasing, receiving, and warehousing of medical supplies and drug inventory, including firefighting tools and equipment. For FY2017 and FY2018, the Division expensed approximately \$3.02M and \$1.1M on medical supplies and controlled substances inventory, respectively.

The Division is under the command of a Division Chief, aided by a Supply Chain Manager and two Stock Control Supervisors. In addition, they have a crew leader and 5 stock clerks. Their main responsibility is to procure and distribute supplies, materials and controlled substances to the Fire Stations for day to day operations. The controlled substances are handling only by the Supply Chain Manager and stock crew leader and stored in a secured vault.

The Division carries over 40 different types of drugs in its inventory, 5 of which are controlled substances. Controlled substances are regulated by the US Drug Enforcement Agency and Texas Department of Public Safety. EMS units follow Standard Medical Operating Procedures, which is a set of formal guidelines for SAFD published by the University of Texas Health and Science Center, Emergency Health Sciences, Office of the Medical Director.

Audit Scope and Methodology

The audit scope was from October 2016 through March 2018. It included the purchase and disposal of medical supplies and controlled substances inventory in addition to physical security controls of the medical supplies and drug inventory.

We interviewed staff from the SAFD Services Division and obtained an understanding of the controls in place over the purchasing, receiving, and distribution of medical supplies and controlled substances. In addition, we interviewed staff from SAFD fiscal to obtain an understanding of controls in place over the purchasing of medical supplies and controlled substances.

We reviewed the controls in place over the purchasing of medical supplies. We tested a random sample of 25 purchase orders to verify the purchasing and approval process was segregated. We performed a physical inventory and selected a judgmental sample of 25 medical supply items to determine if inventory agreed to SAP.

We reviewed the controls in place over the purchasing, receiving, and distribution of controlled substances. The review included selecting 5 controlled substance units from 16 fire stations, 80 total units, to determine if proper documentation was maintained for each unit during the purchasing, receiving and final distribution of the controlled substance. In addition, we performed a physical inventory count of all controlled substances in the vault to determine if the inventory agreed to SAP. Finally, we reviewed the DEA Controlled Substances Registration Certificate for each fire station to determine if they were present and in compliance with the DEA's Practitioner's Manual.

We reviewed the physical security controls over the medical supplies and controlled substances. The review included observing physical safeguards in place at the Services Division warehouse. In addition, we reviewed the validity of the SAFD employees with security badge access to the warehouse. Finally, we reviewed the placement of security cameras at the warehouse to verify they were working and monitored.

Testing criteria included Administrative Directive 8.7 Financial Management of Capital Assets and Tracked Property and the DEA Practitioner's Manual.

We relied on computer-processed data in the SAP System to validate the inventory levels, purchase orders goods receipts. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included performing physical counts of the inventory on hand, verifying support documentation for purchase orders and goods receipts. We do not believe that the absence of testing general and

application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Recommendations

A. Inventory Management

SAFD's inventory management controls were adequate to include proper segregation of duties, adequate support documentation and physical safeguards. We verified the purchasing process for medical supplies was properly segregated. We reviewed a random sample of 25 purchase orders and determined the purchasing and approval processes were segregated.

SAFD maintained proper documentation support for 80 controlled substance units tested during the purchasing, receiving and final distribution. We verified the DEA Controlled Substances Registration Certificate for each fire station and confirmed they were current. In addition, we determined the physical security controls for medical supplies and controlled substances were adequate which included the placement of security cameras and validity of employee security badge access to the warehouse.

Recommendation

None

B. Inaccurate Inventory Records

The inventory records in SAP were not accurate for both medical supplies and controlled substances. Specifically, we identified the following:

B.1 We performed physical inventory counts of the medical supplies and tested a judgmental sample of 25 medical supply inventory items, which are comprised of multiple units and determined that 21 of them did not agree to SAP. We also identified inventory that had incorrect units of measure. For example, SAP had the units for an item in boxes but the warehouse maintained them by single units. In addition, 2 out of the 25 items tested were discontinued however still shown as inventory on hand in SAP. Although staff performed periodic inventory counts, they did not reconcile them to SAP.

B.2 We performed physical inventory counts of all five controlled substances located at the Services Division warehouse vault and determined they did not agree to SAP. Per the Services Division staff, SAP will not agree to the inventory on hand due to SAP limitations of tracking returns and accounting for purchases not on contract. Consequently, they maintain a manual ledger of controlled substance inventory on hand that is reviewed and accepted by the Drug

Enforcement Agency (DEA). We determined the manual ledger counts were accurate.

Per Administrative Directive 8.7 Financial Management of Capital Assets and Tracked Property, department staff must maintain tracked property records in SAP.

Recommendations

B.1 The Fire Chief ensures an inventory count is performed of all medical supplies and updates SAP with the correct inventory counts and unit measures quarterly.

B.2 The Fire Chief ensures SAP is updated quarterly to reflect the controlled substance manual ledger inventory counts.

Appendix A – Staff Acknowledgement

Buddy Vargas, CIA, CFE, Audit Manager
Danny Zuniga, CPA, CIA, Auditor in Charge
Nastasha Leach, CIA, Auditor

Appendix B – Management Response

CITY OF SAN ANTONIO

P.O. Box 839966
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September 6, 2018

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San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of San Antonio Fire Department
Medical Supplies and Controlled Substances Inventory Management

San Antonio Fire Department has reviewed the audit report and has developed the
Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	Inaccurate Inventory Records B.1 The Fire Chief ensures an inventory count is performed of all medical supplies and updates SAP with the correct inventory counts and unit measures quarterly. B.2 The Fire Chief ensures SAP is updated quarterly to reflect the controlled substance manual ledger inventory counts.	5	Accept	Eric McGowin Facilities Manager	September 30, 2018
Action plan: B.1 Implement a cycle count process to ensure all items are verified against SAP figures. B.2 Update SAP counts at least quarterly to reflect manual ledger.					

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

Charles N. Hood
Fire Chief
San Antonio Fire Department

Date

Erik Walsh
Deputy City Manager
City Manager's Office

Date