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DEPARTMENT OF HEALTH

Pharmacy Services and Selected Administrative Activities Prior Audit Follow-Up

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Auditor General

State Surgeon General and State Health Officer

The Department of Health is established by Section 20.43, Florida Statutes. The head of the Department is the State Surgeon General and State Health Officer who is appointed by the Governor and subject to confirmation by the Senate. Dr. John H. Armstrong served as the State Surgeon General and State Health Officer during the period of our audit.

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DEPARTMENT OF HEALTH

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SUMMARY

This operational audit of the Department of Health (Department) focused on evaluating actions taken by the Department to correct deficiencies disclosed in our report No. 2014-014 related to pharmacy services and selected administrative activities. Our audit disclosed the following:

Pharmacy Services

Finding 1: As similarly noted in our report No. 2014-014, the Bureau of Public Health Pharmacy (Bureau) did not always conduct physical inventory counts and adjust inventory records in accordance with established procedures.

Finding 2: The Bureau did not maintain complete and accurate records of drugs returned from county health departments (CHDs) and, as similarly noted in our report No. 2014-014, the CHDs did not always use Bureau Return Merchandise Authorization forms when returning drugs to the Central Pharmacy and the warehouse.

Selected Administrative Activities

Finding 3: Department controls over employee access to the Florida Accounting Information Resource Subsystem (FLAIR) continue to need improvement to reduce the risk of unauthorized disclosure, modification, or destruction of Department data.

Finding 4: The Department had not conducted periodic reviews of user access privileges to Department applications in accordance with established policies and procedures. In addition, as similarly noted in our report No. 2014-014, information technology access to Department applications was not always timely deactivated upon a users' separation from employment.

Finding 5: As similarly noted in our report No. 2014-014, the Department did not always timely cancel purchasing cards upon a cardholder's separation from Department employment.

Finding 6: Department staff did not always appropriately conduct leave balance audits for employees separating from Department employment. A similar finding was noted in prior audit reports, most recently in our report No. 2014-014.

Finding 7: As similarly noted in prior audit reports, most recently in our report No. 2014-014, the Department did not always document the basis for Children's Medical Services contract awards in accordance with established policies and procedures or evidence that such services were obtained in the best interests of the State.

BACKGROUND

State law[1] specifies that the Department of Health (Department) is to protect and promote the health of all residents and visitors in the State. The Department operates through a State health office in Tallahassee, Florida; 67 county health departments (CHDs); 22 Children's Medical Services (CMS) area offices; 12 Medical Quality Assurance regional offices; 9 Disability Determinations regional offices; and 4 public health laboratories. The State health office includes the Division of Administration, which oversees the Department's human resource function, general services, and finance and accounting functions, as well as the Administrative and Financial Application Management program. The Deputy State Health Officer for CMS has oversight responsibility for State health programs including those administered by the Bureau of Public Health Pharmacy and CMS, while the 67 CHDs operate in 255 locations Statewide under the oversight of the Deputy Secretary for County Health Systems.

FINDINGS AND RECOMMENDATIONS

PHARMACY SERVICES

State law[2] specifies that the Department is to establish a pharmacy services program, including, but not limited to, a Central Pharmacy to support pharmaceutical services provided by the CHDs. Central Pharmacy support for the CHDs is to include pharmaceutical repackaging, dispensing, and the purchase and distribution of immunizations and other pharmaceuticals. The Department, Bureau of Public Health Pharmacy (Bureau), partners with the CHDs, Department program offices, and other health service entities to provide clinical and pharmaceutical supplies for programs related to: Sexually Transmitted Diseases, Rabies, Epilepsy, Tuberculosis, HIV/AIDS, Diabetes, Immunizations, Family Planning, and CHD General Clinic Services. The Bureau also supplies pharmaceutical products and services to the Department of Corrections (DOC) through an interagency agreement. The Bureau's clinical supplies and pharmaceutical inventories are stored in the Central Pharmacy and warehouse located in Tallahassee, Florida.

The Bureau utilized the QS/1 System (QS/1) and the Pharmaceutical Forms System (PFS) to maintain accountability for pharmaceutical inventories. The QS/1 is a pharmaceutical dispensing and inventory control system used by the Bureau to maintain perpetual inventory records for client-specific medications. The PFS is a custom pharmaceutical ordering system that allows the CHDs to order Nurse Issuance drugs[3] and bulk inventory, and allows the DOC institutions to order drugs. Additionally, the Bureau uses the PFS for other purposes, including, but not limited to, budget tracking, error reporting, and accounting for bad, expired, or mishandled drugs.

[1] Section 20.43(1), Florida Statutes.

[2] Section 381.0203(2), Florida Statutes.

[3] Pursuant to Section 154.04, Florida Statutes, the Nurse Issuance Program allows a registered nurse or licensed physician assistant working in a CHD to assess a patient and order certain medications when a licensed physician is not on the premises and other statutory requirements are satisfied.

Finding 1: Physical Inventory Counts

Bureau procedures[4] required Bureau staff to conduct monthly physical clinical supply and pharmaceutical inventories at the Central Pharmacy and warehouse and document the inventory counts on count sheets. Bureau staff were to compare the physical inventory counts to the quantities recorded in QS/1 and PFS inventory records and, if discrepancies were noted, a second employee was to confirm the discrepancies through a recount. If a discrepancy remained after the recount, Bureau staff were to recalculate the quantity recorded in the QS/1 or the PFS by tracing additions and deletions from the QS/1 or the PFS to receiving documentation and dispensing logs. If discrepancies remained after investigation, Bureau staff were to adjust the inventory quantities, as applicable, in the QS/1 and the PFS and note the reason for each adjustment, as well as document each discrepancy on an Inventory Adjustment Form.

As part of our audit, we examined, for 10 of 601 drugs,[5] Bureau inventory count records for the months of February 2014, April 2014, June 2014, September 2014, November 2014, and January 2015. We also examined Bureau records for 21 of the 50 inventory adjustments made for those 10 drugs during the period January 2014 through January 2015. As similarly noted in our report No. 2014-014, finding No. 2, our audit procedures disclosed that improvements in pharmaceutical inventory management controls were needed. Specifically, we found that:

- For 5 of the 10 drugs, the Bureau was unable to provide count sheets to evidence the June 2014 Central Pharmacy physical inventory count. In response to our audit inquiry, Bureau management indicated that, except for controlled substances, a physical count of the Central Pharmacy drug inventory was not conducted for June 2014 due to an increased workload caused by the closure of CHD pharmacies in Polk and Palm Beach counties.
- For 8 of the 10 drugs, Bureau staff made 21 adjustments to inventory quantities based on differences noted during physical inventory counts that were not confirmed or investigated. The adjustments ranged from an inventory reduction of 3,000 pills to an inventory increase of 5,760 pills. In response to our audit inquiry, Bureau management indicated that staff had not adhered to established procedures to investigate and resolve the differences, and had adjusted inventory quantities based solely on the initial physical inventory counts.

Implementation of adequate pharmaceutical inventory management controls decreases the risk that waste, loss, theft, or unauthorized use of drugs may occur and not be timely detected.

Recommendation: We again recommend that Bureau management ensure that physical inventory counts are performed in accordance with established procedures and that differences, if any, between physical inventory counts and inventory records are appropriately investigated prior to adjusting inventory records.

Finding 2: Pharmaceutical Returns

Bureau procedures[6] required CHD staff to complete a Return Merchandise Authorization (RMA) form when returning drugs to the Central Pharmacy or the warehouse. For patient-specific drugs returned to

[4] Bureau Internal Operating Procedure BSPS058-12, *Procedure for Inventory and Discrepancy Documentation*.

[5] The records for the 10 drugs selected for examination included 7 of the 532 drugs stored in the Central Pharmacy and dispensed during the period January 2014 through January 2015, and 3 of the 69 drugs stored in the warehouse and on hand as of May 8, 2015.

[6] Bureau Internal Operating Procedure DPHP044-14, *Procedure for the Quarantine and Disposition of Pharmaceuticals*.

the Central Pharmacy, CHD staff were to complete a hard-copy RMA form obtained from the PFS and include a copy of the form in the return package. For Nurse Issuance and bulk drugs returned to the warehouse, CHD staff were to complete an RMA form electronically in the PFS and include a copy of the form in the return package. Bureau staff were to record patient-specific drugs returned to the Central Pharmacy on Pharmacy Return Logs, restore the patient's refill within the QS/1, and maintain the RMA form to document the return. If the drugs were to be restocked, Bureau staff were to add the drugs back to the QS/1 inventory. Bureau staff were to record Nurse Issuance and bulk drug returns in the PFS. According to Bureau management, use of Pharmacy Return Logs was also necessary as the PFS functionality needed to account for patient-specific drug returns was not implemented until July 2015.

As part of our audit, we requested and examined Pharmacy Return Logs for the period January 2014 through January 2015 and noted that the Bureau could not provide Logs for September 2014. In addition, our comparison of the Logs to QS/1 records (excluding September 2014) disclosed 1,046 drug return records in the QS/1 that were not included on the Pharmacy Return Logs. In response to our audit inquiry, Bureau management indicated that cancellations and corrections to dispensing transactions before drugs left the Central Pharmacy would appear as a return in the QS/1 and could have contributed to the differences between the Pharmacy Return Log records and QS/1 records.

Additionally, our examination of Bureau records for 45 of 7,804 drug returns (30 patient-specific drug returns to the Central Pharmacy and 15 Nurse Issuance and bulk drug returns to the warehouse) made during the period January 2014 through January 2015 disclosed similar instances to those noted in our report No. 2014-014, finding No. 3. Specifically, we found that:

- For 20 of the 30 patient-specific drug returns to the Central Pharmacy, Bureau staff were unable to provide evidence that the returns were supported by RMA forms. In response to our audit inquiry, Bureau management indicated that a former employee had discarded the RMA forms after logging the information on the Pharmacy Return Logs.
- For 10 of the 30 patient-specific drug returns to the Central Pharmacy, CHD staff submitted various manually completed forms instead of the RMA forms as specified by Bureau procedures. Our examination of the various forms submitted disclosed that the forms did not include all required information, such as, the drug strength or the dosage, which would facilitate the identification of the correct drug and proper recording of the returns within the inventory records.
- For an RMA form completed electronically through the PFS for 1 of the 15 drugs to be returned to the warehouse, Bureau staff did not update the PFS to indicate that the returned drug had been received. In response to our audit inquiry, Bureau management indicated the return had been erroneously sent to the Central Pharmacy rather than the warehouse so the status of the return remained unchanged.

As discussed in the ***BACKGROUND***, the 67 CHDs operate under the oversight of the Deputy Secretary for County Health Systems, while the Bureau organizationally reports to the Deputy State Health Officer for CMS. This organizational structure may have contributed to the drug return record deficiencies.

Obtaining and maintaining completed RMA forms for all returned drugs would allow the Bureau to establish a complete control record for all drugs from receipt to disposition.

Recommendation: We recommend that Bureau management maintain complete and accurate records of all drugs returned from the CHDs. We also recommend that Bureau management work with CHD staff to use the PFS to properly document the return of all prescription drugs to the Central Pharmacy and the warehouse in accordance with established procedures.

SELECTED ADMINISTRATIVE ACTIVITIES

As part of our audit, we also evaluated selected Department administrative activities and controls, including those related to information technology (IT) access privileges, purchasing cards, employee leave balance audits, and contracts.

Finding 3: FLAIR Access Controls

The Department utilizes the Florida Accounting Information Resource Subsystem (FLAIR) to authorize payment of Department obligations and to record and report financial transactions. Controls over employee access to FLAIR are necessary to help prevent and detect any improper or unauthorized use of FLAIR access. Accordingly, FLAIR access should be: (1) limited to properly authorized employees, (2) appropriate for the employee's assigned duties and responsibilities, (3) promptly deactivated when employees separate from Department employment or are reassigned to a position requiring a new FLAIR user account, and (4) periodically reviewed for continued appropriateness.

Department policies and procedures[7] specified that, on a quarterly basis, FLAIR Access Control Custodians were to review authorized FLAIR user accounts to ensure that the authorized access was still appropriate. Additionally, the Department, Administrative and Financial Application Management program, was to perform monthly audits involving an electronic matching of active FLAIR access control records to Department personnel data in People First, the State's human resource information system.

We evaluated Department controls for granting FLAIR user access privileges, periodically reviewing FLAIR user access privileges to ensure the continued appropriateness of the access, and deactivating FLAIR user account access privileges upon a user's separation from Department employment or transfer to a position where a new user account was required. Our audit procedures disclosed that Department controls were not always effective to ensure that FLAIR user access privileges were periodically evaluated, appropriately granted, or timely deactivated. Specifically:

- During the period January 2014 through January 2015, Department staff did not perform the required quarterly reviews of the appropriateness of FLAIR user access privileges.
- Our examination of FLAIR access records for 41 of the 2,302 FLAIR user accounts with update privileges during the period January 2014 through January 2015 disclosed that, for 16 user accounts (assigned to 16 employees), the users were granted update capabilities to incompatible functions in FLAIR. We found that:
    - Eight user accounts had update capabilities to both the disbursement and vendor employee functions.
    - Four user accounts had update capabilities to both the disbursement and cash receipts functions.
    - Two user accounts had update capabilities to disbursement, cash receipts, and vendor employee functions.
    - One user account had update capabilities to the disbursement, vendor employee, fixed assets accounting, and fixed assets custodial functions.

[7] Department Policy and Procedure DOHP 55-10-13, *FLAIR and RACF Access Control*.

- One user account had update capabilities to the disbursement, cash receipts, vendor employee, fixed assets accounting, and fixed assets custodial functions.

  Subsequent to our audit inquiry, the Department removed the incompatible access privileges for 14 of the 16 user accounts. Removal of the incompatible access privileges for the remaining 2 user accounts was not necessary because the users' accounts had been deactivated.

- As similarly noted in our report No. 2014-014, finding No. 10, our examination of FLAIR access and People First records disclosed that FLAIR access privileges for 5 FLAIR user accounts assigned to 5 employees who separated from Department employment or transferred to a position which required a new user account during the period January 2014 through January 2015, remained active from 2 to 398 business days (an average of 131 business days) after the employees' separation or transfer dates. Notwithstanding the untimely deactivation of access privileges, our audit tests disclosed that none of the user accounts were used to access FLAIR subsequent to the employees' separation or transfer dates.

  As further described in Finding 4, our audit procedures also disclosed delays in the deactivation of IT access privileges for other Department applications.

The effective separation of incompatible accounting duties, prompt deactivation of access privileges upon an employee's separation from employment or transfer to a position where a new user account is required, and periodic and timely review of employee access privileges reduces the risk of unauthorized disclosure, modification, or destruction of Department data.

Recommendation: To aid in the identification and resolution of any instances where excess or incompatible FLAIR user access privileges have been granted or access privileges are no longer required, we recommend that Department management conduct periodic reviews of FLAIR access privileges in accordance with established policies and procedures. We also recommend that Department management ensure that FLAIR access privileges are timely deactivated upon an employee's separation from Department employment or transfer to a position where a new user account is required.

Finding 4: Deactivation of IT Access Privileges

To ensure security over State agency IT systems and data, minimum security standards were established in Agency for Enterprise Information Technology (AEIT) rules.[8] Those rules require a user's access authorization to be removed when the user separates from employment or transfers to a position where access to the information resource is no longer required.

Department policies and procedures[9] required supervisors to periodically review employee IT access privileges for appropriateness. Department policies and procedures also required each division to establish written information security and privacy procedures to ensure the security of information and to protect confidentiality, data integrity, and access to information. However, our audit procedures found that the applicable divisions had not established written policies and procedures regarding periodic reviews of the appropriateness of Active Directory, Automated Receipts System (ARS), Environmental Health Database (EHD), Health Management System (HMS), and PFS user access privileges. Further,

[8] AEIT Rules 71A-1.007(6) and 71A-2.004(1)(b), Florida Administrative Code. Effective July 1, 2014, Chapter 2014-221, Laws of Florida, created the Agency for State Technology (AST) within the Department of Management Services and authorized a type two transfer of all records; property; administrative authority; and administrative rules in Chapters 71A-1 and 71A-2, Florida Administrative Code, of the AEIT to the AST.

[9] Department Policy and Procedure DOHP 50-10-10, *Information Security and Privacy*.

Department staff did not conduct periodic reviews of user access privileges for Active Directory, the ARS, the EHD, the HMS, and the PFS during the period January 2014 through January 2015.

The absence of policies and procedures and lack of periodic reviews may have contributed to the instances of untimely deactivation of access privileges disclosed by our audit procedures. Specifically, we compared selected Department ARS, EHD, HMS, PFS, and Active Directory user account records to People First employment separation data and, as similarly noted in our report No. 2014-014, finding No. 9, we found that:

- Department records as of February 3, 2015, identified 16 employees with active ARS user accounts; however, 1 of these employees had separated from Department employment. Subsequent to our audit inquiry, the Department deactivated the employee's user account, 166 business days after the employee's separation date. The ARS is an Access database used by the Division of Administration, Office of Budget and Revenue Management, to account for all revenues received by the Department's Central Office and recorded in FLAIR.
- Ten employees with active EHD user accounts as of February 10, 2015, had separated from Department employment during the period January 2014 through February 2015. However, the EHD user accounts for these ten employees had remained active from 42 to 287 business days (an average of 185 business days) after the employees' separation dates. Additionally, since the EHD did not record when a user account accessed the database, the Department was unable to determine whether the ten user accounts had been used to access the EHD after the employees' separation dates. The EHD is a Statewide database of environmental health information and includes information such as the location of service facilities, permits, contracts, financial information, complaints, and Geographic Information System maps.
- Eleven employees with active HMS user accounts as of February 6, 2015, had separated from Department employment during the period January 2014 through February 2015. The user accounts for these 11 employees, had remained active from 4 to 278 business days (an average of 126 business days) after the employees' separation dates. The HMS provides CHD operational support such as patient registration, scheduling, eligibility, service fee collection and history, accounts receivable, care coordination tracking, electronic laboratory test ordering, and test result functions. The HMS is a distributed system (i.e., each CHD operates the HMS as a stand-alone system), and each CHD controls its user profiles, access, and permissions.
- Of the ten PFS user accounts active as of January 23, 2015, and included in our audit tests, four user accounts related to one DOC and three Department employees who separated from employment during the period January 2014 through January 2015. Our audit procedures further disclosed that, as of January 23, 2015, the four user accounts had remained active from 13 to 79 business days (an average of 41 business days) after the users' employment separation dates. Although the PFS did not maintain records of user account deactivation dates, the PFS included functionality that automatically locked a user's account after 90 calendar days of inactivity and automatically deactivated a user's account after 180 calendar days of inactivity. As previously noted, the PFS is a custom pharmaceutical ordering system used by the Bureau for ordering, receiving, issuing, and processing return of pharmaceutical inventory.
- The Active Directory user accounts for 21 of the 26 employees, found to have access to the ARS, the EHD, FLAIR, and the HMS after their employment separation dates, remained active from 2 to 259 business days (an average of 67 business days) after the employees' separation dates. Active Directory is a single sign-on system used to control network access and access to Department applications. A user must have an active account in Active Directory for network access and permissions within Active Directory to access the ARS, the EHD, FLAIR, and the HMS.

Notwithstanding the untimely deactivation of these ARS, HMS, PFS, and Active Directory user accounts, our examination of system records indicated that the user accounts were not used to access the systems subsequent to the employees' separation dates.

In response to our audit inquiry, Department management indicated that access privileges were not always timely deactivated because supervisors did not always notify, or timely notify, System Administrators when an employee separated from Department employment. Department management also indicated that one instance of untimely deactivation was the result of System Administrator oversight. Timely deactivation and periodic review of user access privileges reduces the risk that unauthorized information system activity may occur and not be timely detected.

Recommendation: We again recommend that Department management strengthen controls, including the establishment of applicable policies and procedures for the conduct of periodic reviews of ARS, EHD, HMS, PFS, and Active Directory access privileges, to ensure that access privileges are timely deactivated upon a users' separation from employment.

Finding 5: Purchasing Card Cancellations

As a participant in the State's purchasing card program, the Department is responsible for the implementation of key controls, including the timely cancellation of purchasing cards upon a cardholder's separation from Department employment. Department guidelines[10] specified that a cardholder's supervisor was responsible for promptly notifying the Department Purchasing Card Administration (PCA) Office to cancel an employee's purchasing card upon notification of the cardholder's separation from Department employment. The Department Purchasing Card Program Administrator (PCPA) was responsible for the prompt cancellation of purchasing cards.

In our report No. 2014-014, finding No. 11, we disclosed that the Department did not always timely cancel purchasing cards upon a cardholder's separation from Department employment. Our audit follow-up procedures included comparing Department employee separation dates recorded in People First to purchasing card cancellation dates recorded in FLAIR purchasing card records. We identified 164 cardholders whose purchasing card cancellation date was subsequent to their People First separation date. Our further examination of Department records for 18 of the 164 cardholders disclosed that 17 of the employees' purchasing cards were canceled from 9 to 128 business days (an average of 52 business days) after the employees' separation dates. Our audit tests also disclosed that, for one of the former employees, a $12 monthly subscription charge was incurred subsequent to the employee's separation date and prior to the cancellation of the employee's purchasing card.

In response to our audit inquiry, Department management indicated that the delays in canceling purchasing cards were primarily due to supervisors not notifying the PCA Office when employees separated from Department employment. Department management also indicated that, as of March 24, 2015, the PCA Office had been added to an employee separation notice distribution list.

Timely cancellation of purchasing cards upon a cardholder's separation from Department employment reduces the risk that unauthorized purchases will be made.

[10] Department *Purchasing Card Guidelines* (DOHP 56-44-15).

Recommendation: We again recommend that Department management promptly cancel purchasing cards upon a cardholder's separation from Department employment.

Finding 6: Leave Balance Audits

Department policies and procedures[11] specified that when an employee separated from Department employment, the servicing human resource office was to conduct a manual leave and attendance audit to verify the accuracy of the employee's electronic leave balances in People First. The Department also developed standard leave audit templates and provided written instructions to staff who conducted leave balance audits.

As part of our audit, we examined Department leave balance audit records and People First leave balance records for 25 of the 1,714 CHD employees with People First employment separation dates from January 2014 through January 2015. As similarly noted in prior audit reports, most recently in our report No. 2014-014, finding No. 13, our audit procedures disclosed deficiencies in the Department's conduct of leave balance audits. Specifically, we noted that:

- For 5 employees, the leave balance audit records were dated subsequent to our audit records request and from 175 to 389 days subsequent to the employees' separation dates.
- For 3 employees, the hours used by Department staff in the leave balance audits did not agree with the hours recorded in People First. For 1 of the 3 employees, the leave audit was performed 4 months prior to the employee's separation date. Consequently, the employee's leave hours accumulated subsequent to the leave balance audit were excluded from the employee's leave payment, resulting in a $350 underpayment. For the other 2 employees, the leave balance differences resulted in underpayments totaling $15 and $470.

In response to our audit inquiry, Department management indicated that the process for performing leave balance audits was decentralized, which contributed to inconsistencies, and that staff did not always follow established procedures or use the Department's standard leave audit templates. Department management further indicated that staff training to address the issues noted in conducting leave balance audits was in progress.

The proper conduct of leave balance audits provides the Department with greater assurance regarding the accuracy of employee leave balances and that leave payments made upon an employee's separation from Department employment are properly calculated.

Recommendation: To provide for the proper conduct of leave audits, Department management should continue staff training efforts and ensure that staff adhere to established procedures and utilize standard leave audit templates.

Finding 7: Contract Documentation

State law[12] requires State agencies to use a competitive solicitation process when procuring commodities or contractual services in excess of $35,000. State law[13] further specifies that if less than two responsive

[11] Department Policy and Procedure DOHP 60-3-13, *Attendance and Leave*.

[12] Section 287.057(1), Florida Statutes.

[13] Section 287.057(5), Florida Statutes.

bids, proposals, or replies for commodity or contractual services purchases are received, State agencies may negotiate on the best terms and conditions, but must document the reasons that the negotiation is in the best interest of the State in lieu of resoliciting competitive sealed bids, proposals, or replies. State law[14] also provides certain exemptions to the competitive solicitation process and allows State agencies to noncompetitively procure various services, such as health services and services provided by governmental entities.

As part of our audit, we examined procurement documentation for five Children's Medical Services (CMS) contracts, totaling $175,012,276 and executed during the period January 2014 through January 2015, to determine whether the Department made concerted efforts to obtain the contracted services at an appropriate price and complied with established contract procurement policies and procedures. Our audit procedures disclosed that:

- Although Department records indicated that one contract totaling $16,305,644 had been competitively procured through an invitation to negotiate,[15] Department management was unable to provide documentation to support that more than one response was received and evaluated prior to awarding the contract, or that negotiations with the CMS provider were in the best interest of the State.
- To document contracting decisions, Department policies and procedures[16] required Department staff to use standard forms including Memorandum of Negotiation, Documentation for Noncompetitive Procurement, and Cost Analysis forms. As similarly noted in prior audit reports, most recently in our report No. 2014-014, finding No. 14, while completed forms were generally present in the contract files for the other four contracts, totaling $158,706,632 and not subject to competitive procurement, the explanations and information contained in the files were not reflective of concerted Department efforts to procure the necessary services at an appropriate price. Specifically, we found that:
    - The Memorandum of Negotiation form was to be used to document Department and CMS provider staff meetings and negotiations regarding contract terms, conditions, and outcome measures. The form contained fields to record negotiation information including the date and time of the meeting; the names, positions, and signatures of the parties representing the Department and the CMS provider; and a description of the contractual services to be provided. The form also included the statements "Contract terms and conditions were reviewed" and "Outcome measures were reviewed" with boxes to be checked by the Department employee who completed the form. For the four contracts, the completed forms did not document specifically what was discussed during the negotiation, or otherwise contain sufficient detail to demonstrate the degree to which the Department had attempted to negotiate terms advantageous to the State, such as lower prices and greater outcomes. Additionally, the Memorandum of Negotiation form for one of the contracts was signed by both the CMS provider's representative and the Department's representative after the contract execution date, and another contract's form was not signed by the Department's representative.
    - The Documentation for Noncompetitive Procurement form was to be used to explain, for each applicable contract procured, why competitive purchasing was not practical or in the best interest of the Department, why the selection of the CMS provider represented the most

[14] Section 287.057(3)(e) and (21), Florida Statutes.

[15] An invitation to negotiate is a solicitation used by a State agency to determine the best method for achieving a specific goal or solving a particular problem, and is to identify one or more responsive vendors with which the agency may negotiate to receive the best value.

[16] Department Policy and Procedures DOHP 250-14-11, *Contractual Services*.

advantageous decision for the State in terms of service and price, and, if the provider was the only provider willing or able to provide the services, how this determination was made. For one of the four contracts, Department management indicated in response to our audit request that the form could not be provided, and for the remaining three contracts, the explanations documented on the forms did not adequately describe why the selection of the CMS provider represented the most advantageous decision for the State or how a determination was made that there was only one provider willing or able to provide the services. For example, the following explanations were documented in response to the Documentation for Noncompetitive Procurement form's questions:

- "Explain why formal competitive purchasing practices (i.e., request for proposals, invitation to bid, and invitation to negotiate) were not practical and/or in the best interest of the Department. State the situation necessitating the use of noncompetitive procedures: *The services that are required can only be provided by professionals who meet certain credentialing requirements and have access to facilities and support that meet quality of care criteria and are able to service children with complex developmental problems. For example, very few facilities or providers are credentialed to provide autism services. The nature of the services is such that there are no or few competitors for the service(s)*."
- "Explain the reasons for selection and why this selection represents the most advantageous decision for the State in terms of service and price. If this is the only provider willing or able to provide these services, state how this was determined: *Services are selected based on provider and facility standards. CMS is mandated by statute to pay Medicaid rates, so price is not an issue. However, the qualifications of the facility or provider in [sic] an issue for the services that are required."*

Additionally, two of the three forms provided did not specify the contract amount as required and had been signed by the contract manager after the contract execution date.

o The Cost Analysis form was to be used to document how a contract price was determined and the methodology used in the determination and include the previous contract price. Appropriately completing the form in sufficient detail would help demonstrate how the Department determined the reasonableness of the contract price. Our examination of the Cost Analysis forms for the four applicable contracts disclosed that:

- While two forms included a breakdown of the total contract amount by budget category, the forms did not include information on how those amounts were determined or the methodology used in the determination.
- For two forms, performance of a cost analysis was not apparent. While contract documentation indicated that the fixed-price unit cost had been determined based on historical per capita Medicaid expenditure data for services provided to children with special health care needs, the Department was unable to provide documentation evidencing the calculation of the fixed-price unit cost, including applicable reports detailing the Medicaid data used to calculate the fixed-price unit cost.
- Two of the four forms were signed by the contract manager after the contract execution date.

In response to our audit inquiry, Department management indicated that staff had not always adhered to established policies and procedures when procuring the CMS contracts.

Absent adequate documentation of the basis for contracting with the CMS providers, including properly completed standard forms required by Department policies and procedures, the Department cannot clearly demonstrate that CMS services obtained were in the best interests of the State.

Recommendation: We again recommend that Department management ensure that the basis for CMS contract awards is appropriately and adequately documented in accordance with established policies and procedures and that such documentation evidence that CMS services are obtained in the best interests of the State.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the findings included in our report No. 2014-014.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2015 through July 2015 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.

This operational audit focused on evaluating actions taken by the Department to correct deficiencies disclosed in our report No. 2014-014 related to pharmacy services and selected administrative activities. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To determine whether management had corrected, or was in the process of correcting, all deficiencies disclosed in our report No. 2014-014.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit we:

- Reviewed applicable laws, rules, regulations, and Department policies and procedures, and interviewed Department personnel to gain an understanding of Bureau of Public Health Pharmacy (Bureau) operations.
- Obtained an understanding of internal controls and evaluated the effectiveness of key processes, policies, and procedures related to pharmacy services.
- Evaluated Department actions to correct the findings noted in our report No. 2014-014. Specifically, we:
    - Reviewed the Pharmaceutical and Therapeutics Committee Charter and the minutes of the Committee's quarterly meetings held during the period January 2014 through January 2015 to determine whether drug formularies were reviewed and approved.
    - Observed processes for ordering, receiving, stocking, and reconciling pharmaceuticals inventory to determine whether proper separation of duties existed, appropriate reorder points were established based on usage, and inventory levels were periodically analyzed to minimize shortages and prevent overstocking.
    - From the population of 718 drug purchases, totaling $68,568,233, made during the period January 2014 through January 2015, examined documentation for 25 drug purchases, totaling $17,358,232, to determine whether drug purchases were correctly added to the Department's perpetual inventory records.
    - Analyzed QS/1 perpetual inventory records for 7 of 532 drugs dispensed during the period January 2014 through January 2015, and Pharmaceutical Forms System (PFS) data for 3 of 69 drugs on hand as of May 8, 2015, to determine whether Department inventory records indicated any out-of-stock conditions or whether large quantities of drugs were removed from inventory due to excess ordering.
    - For 10 of 601 drugs (7 of 532 drugs stored in the Central Pharmacy and dispensed during the period January 2014 through January 2015, and 3 of 69 drugs stored in the warehouse and on hand as of May 8, 2015), examined Bureau records for six monthly physical inventory

counts and 21 of 50 inventory adjustments made during the period January 2014 through January 2015 to determine whether the inventory counts were appropriately documented; the results of the physical inventory counts were reconciled to the inventory records; differences identified during the physical inventory counts were appropriately investigated and resolved; and adjustments to the inventory records were appropriately documented.

- From the population of 7,804 drug returns to the Central Pharmacy and the warehouse made during the period January 2014 through January 2015, examined documentation for 45 returned drugs to determine whether the county health departments (CHDs) used the PFS to properly document the shipment of all returned drugs, and whether the Bureau maintained accurate records to account for pharmaceuticals returned from the CHDs.
- Performed inquiries of Bureau management regarding analyses performed during the period January 2014 through January 2015 and used to monitor the costs of returned drugs, calculate losses incurred, and evaluate service charges paid to the reverse drug distributor to determine whether the Bureau had implemented procedures to minimize losses due to the expiration of pharmaceuticals.
- Examined Bureau records related to 2013-14 and 2014-15 fiscal-year equipment and pharmaceutical inventory insurance coverage to determine whether the Department periodically determined the value of its pharmaceuticals on hand and maintained documentation to support the amounts insured.
- Analyzed data for Medicaid claims paid and denied during the period January 2014 through January 2015 to determine whether Bureau procedures were effective in increasing the number of paid and total claims and decreasing the number of denied claims submitted to Medicaid for payment.
- Performed inquiries of Bureau management regarding analyses performed during the period January 2014 through January 2015, and used to evaluate the feasibility of further expanding the Section 340B Drug Pricing Program and maximizing potential cost savings, to determine whether the Bureau had taken all actions practical to expand the Section 340B Drug Pricing Program.
- Reviewed the Bureau's budget allocation process for the 2014-15 fiscal year to determine whether the Bureau had established procedures to reasonably allocate CHD pharmaceutical program budgets. We also reviewed the Bureau's comparison of expenditures to budgeted amounts to determine whether the budget allocations were properly monitored.
- Compared available deactivation dates for system user access privileges to People First employee separation dates and evaluated the timeliness of the deactivation of system access privileges for:
  - The 16 Automated Receipts System (ARS) user accounts active as of February 3, 2015.
  - 12 of 103 Environmental Health Database (EHD) user accounts active as of February 10, 2015.
  - 7 of 58 Florida Accounting Information Resource Subsystem (FLAIR) user accounts active as of March 5, 2015.
  - 25 of 669 Health Management System (HMS) user accounts active as of February 6, 2015.
  - 10 of 86 PFS user accounts active as of January 23, 2015. The 10 selected user accounts were assigned to seven Department employees, one Department contractor, and two DOC employees.
  - 2 of 29 QS/1 user accounts active as of January 23, 2015.

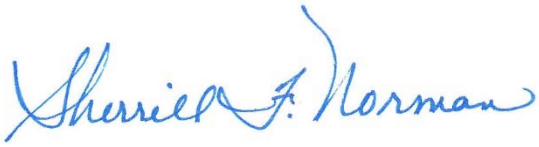
- Examined Active Directory access records for the 26 employees identified during audit field work with active FLAIR, ARS, EHD, or HMS user accounts after their employment separation dates to determine whether the employees' Active Directory user accounts had been timely deactivated.
- Inquired of Department staff regarding the periodic verification of user access for the Active Directory, FLAIR, the EHD, the HMS, the ARS, the QS/1, and the PFS to gain an understanding of Department actions taken to ensure employees' access to significant information technology systems was necessary for their job duties.
- Examined FLAIR access control records for 41 of the 2,302 FLAIR user accounts for Department employees with FLAIR update privileges during the period January 2014 through January 2015, to determine whether the access privileges were appropriate given the employees' job duties and whether access privileges had been timely deactivated or updated when employees transferred to positions where the same access privileges were not required.
- For the period January 1, 2014, through December 18, 2014, compared Department employee separation dates recorded in People First to purchasing card cancellation dates recorded in FLAIR purchasing card records and identified 164 cardholders whose purchasing card cancellation dates were subsequent to their recorded People First separation dates. For 18 of the 164 cardholders, we examined Department records to assess the timeliness in which the Department canceled the purchasing cards and to determine whether any charges had been made subsequent to the employees' separation dates.
- Compared a listing of Department employees to FLAIR records of Department payments to vendors to identify any Department employees who also received payments from the Department as a vendor during the period January 2014 through January 2015.
- Examined Department leave balance audit records and People First leave balance records for 25 of the 1,714 CHD employees who had separated from Department employment during the period January 2014 through January 2015 to determine whether leave balance audits had been correctly conducted prior to the payout of any unused leave.
- Examined documentation for 5 of the 12 Children's Medical Services (CMS) contracts, totaling $175,012,276 and executed during the period January 2014 through January 2015, to determine whether Department staff made concerted efforts to obtain the contracted services at an appropriate price and complied with established contract procurement policies and procedures.

- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for:
  - Budgetary, cash management, revenue and cash receipt, settlement agreement, fixed capital outlay, and FLAIR reconciliation processes.
  - The administration of purchasing cards in accordance with applicable guidelines. As of June 30, 2014, the Department had 2,443 active purchasing cards.
  - The acquisition, assignment, and use of wireless devices with related costs totaling $1,148,795 for the period July 2013 through June 2014.
- Performed inquiries of Department management and analyzed CMS Grants and Donations Trust Fund revenue and expenditure data for the 2010-11 through the 2014-15 fiscal years to determine why additional cash was needed to support the Fund's 2014-15 fiscal year expenditures and to evaluate the Department's explanation for the need.
- Interviewed Department management and evaluated Department compliance with applicable statutory requirements for collecting and utilizing individuals' social security numbers.

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

Mission:
To protect, promote & improve the health of all people in Florida through integrated state, county & community efforts.

Florida HEALTH

Rick Scott
Governor

John H. Armstrong, MD, FACS
State Surgeon General & Secretary

Vision: To be the **Healthiest State** in the Nation

February 11, 2016

Ms. Sherrill F. Norman, CPA
Auditor General
Room G74, Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

We are pleased to respond to the preliminary and tentative audit findings and recommendations concerning the Office of the Auditor General's operational audit of *Department of Health, Pharmacy Services and Selected Administrative Activities Prior Audit Follow-Up*. Our response to the findings, as required by Section 11.45(4)(d), *Florida Statutes*, is enclosed.

We appreciate the efforts of you and your staff in assisting to improve our operations. Please contact our Director of Auditing, Michael J. Bennett, CIA, by calling (850) 245-4150, should you have any questions.

Sincerely,

John H. Armstrong, MD, FACS
Surgeon General & Secretary

JHA/mhb
Enclosure

cc: James D. Boyd, CPA, MBA, Inspector General
Michael J. Bennett, CIA, Director of Auditing
Celeste Philip, MD, MPH, Deputy Secretary for Health
Michele Tallent, Interim Deputy Secretary for Administration
Kim E. Barnhill, MS, MPH, Deputy Secretary for County Health Systems
Jennifer Tschetter, Chief Operating Officer

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Report Number: To be determined
Report Title: *Pharmacy Services and Selected Administrative Activities Prior Audit Follow-Up*
Report Date: To be determined

No.	Finding	Recommendation	Management Response	Corrective Action Plan
Pharmacy Services				
1	As similarly noted in our report No. 2014-014, the Bureau of Public Health Pharmacy (Bureau) did not always conduct physical inventory counts and adjust inventory records in accordance with established procedures.	We again recommend that Bureau management ensure that physical inventory counts are performed in accordance with established procedures and that differences, if any, between physical inventory counts and inventory records are appropriately investigated prior to adjusting inventory records.	We concur.	**In progress.** Projected Completion Date – July 1, 2016 The Bureau has revised the Internal Operating Procedure (IOP) 58, *Procedure for Inventory Reconciliation and Documentation for Logistics*. One of the areas that has been revised includes additional roles and responsibilities. Enhancements to the Pharmaceutical Forms System (PFS) will be implemented to capture inventory reconciliation with pharmacist verification. IOP 22, *Inventory Management Systems and Functions*, will be revised to ensure an improved methodology for conducting inventory counts and adjusting inventory records. This IOP is under management review and approval.
2.1	The Bureau did not maintain complete and accurate records of drugs returned from county health departments (CHDs) and, as similarly noted in our report No. 2014-014, the CHDs did not always use Bureau *Return Merchandise Authorization* (RMA) forms when returning drugs to the Central Pharmacy and the warehouse.	We recommend that Bureau management maintain complete and accurate records of all drugs returned from the CHDs.	We concur.	**In progress.** Projected Completion Date – July 1, 2016 RMA forms were not housed in PFS at the time of the audit. PFS now contains a Quarantine Module for record keeping, which includes RMAs. IOP 36, *Procedure for On-site Receiving of Pharmaceuticals*, and IOP 44, *Procedure for the Quarantine and Disposition of Pharmaceuticals*, have been revised to emphasize the steps for CHDs returning drugs to follow, by using the RMA form. The steps in these IOPs have been discussed on the Statewide Pharmaceutical conference calls. DOHP 395-1, *Public Health Pharmacy Policy and Procedures for County Health Departments*, has been revised and is currently under review by management. The return of quarantined/expired pharmaceuticals continues to be discussed on the Statewide Pharmaceutical conference calls.

Preliminary and Tentative Findings - *Pharmacy Services and Selected Administrative Activities Prior Audit Follow-Up*

No.	Finding	Recommendation	Management Response	Corrective Action Plan
2.2	The Bureau did not maintain complete and accurate records of drugs returned from CHDs and, as similarly noted in our report No. 2014-014, the CHDs did not always use Bureau *Return Merchandise Authorization* forms when returning drugs to the Central Pharmacy and the warehouse.	We recommend that Bureau management work with CHD staff to use PFS to properly document the return of all prescription drugs to the Central Pharmacy and the warehouse in accordance with established procedures.	We concur.	**In progress.** Projected Completion Date – July 1, 2016 A help file is available in PFS regarding RMAs. The RMA is required for all returned drugs to ensure a complete control record. Notification of RMA requirements is transmitted through the system. IOP 44, *Procedure for the Quarantine and Disposition of Pharmaceuticals*, has been revised to clarify the steps for CHDs returning drugs to follow, by using the RMA form. These steps in the IOP have been discussed on the Statewide Pharmaceutical conference call. Department policy 395-1, *Public Health Pharmacy Policy and Procedures for County Health Departments*, has been revised and is currently under review by management.
Selected Administrative Activities				
3.1	Department of Health (Department) controls over employee access to the Florida Accounting Information Resource Subsystem (FLAIR) continue to need improvement to reduce the risk of unauthorized disclosure, modification, or destruction of Department data.	To aid in the identification and resolution of any instances where excess or incompatible FLAIR user access privileges have been granted or access privileges are no longer required, we recommend that Department management conduct periodic reviews of FLAIR access privileges in accordance with established policies and procedures.	We concur.	**Completed.** The Administrative and Financial Application Management (AFAM) section in the Bureau of Finance and Accounting (F&A) now performs a monthly review of FLAIR users. The review compares FLAIR data and Resource Access Control Facility data to People First data. The AFAM section also now reviews and compares a semi-monthly termination report and Personnel Action Request (PAR) emails that identify employee role changes, to ensure FLAIR access for terminated employees is removed. The termination report is received from the Purchasing Card Administrator in F&A. The PAR emails are received from the Bureau of Personnel and Human Resource Management (Personnel).
3.2	Department controls over employee access to FLAIR continue to need improvement to reduce the risk of unauthorized disclosure, modification, or destruction of Department data.	We recommend that Department management ensure that FLAIR access privileges are timely deactivated upon an employee's separation from Department employment or transfer to a position where a new user account is required.	We concur.	**Completed.** The Administrative and Financial Application Management (AFAM) section in F&A now performs a monthly review of FLAIR users. The review compares FLAIR data and Resource Access Control Facility data to People First data. The AFAM section also now reviews and compares a semi-monthly termination report and PAR emails that identify employee role changes, to ensure FLAIR access for terminated employees is removed. The termination report is received from the Purchasing Card Administrator in F&A. The PAR emails are received from Personnel.

Preliminary and Tentative Findings - *Pharmacy Services and Selected Administrative Activities Prior Audit Follow-Up*

No.	Finding	Recommendation	Management Response	Corrective Action Plan
4	The Department had not conducted periodic reviews of user access privileges to Department applications in accordance with established policies and procedures. In addition, as similarly noted in our report No. 2014-014, information technology access to Department applications was not always timely deactivated upon a users' separation from employment.	We again recommend that Department management strengthen controls, including the establishment of applicable policies and procedures for the conduct of periodic reviews of Automated Receipts System (ARS), Environmental Health Database (EHD), Health Management System (HMS), PFS, and Active Directory (AD) access privileges, to ensure that access privileges are timely deactivated upon a users' separation from employment.	We concur.	Division of Administration - for ARS - **In progress.** Projected Completion Date – February 29, 2016 The AFAM section in F&A will add a monthly user validation to AFAM's monthly activities. Division of Disease Control and Health Protection - for EHD – **In progress.** Projected Completion Date – February 17, 2016 The Inactive Users List has been re-activated. Environmental Health (EH) Directors have been educated on its existence and use. Our team now receives automated alerts when a user is added to the Inactive Users List, so we can take immediate action to affirm the user has been deactivated and has had their access removed at all levels. We now have access to an up-to-date table of validated employees that is created from Active Directory nightly. A Structured Query Language (SQL) job is being created to compare the tables and notify us of any employee that has been removed from Active Directory but is still listed as "active" in the EHD Employee Table. This process has been re-instated to provide the EH Directors with a SharePoint site to note an employee who is leaving the Department or transferring to another county. The process alerts EHD staff so we can follow-up on the employee, disabling his or her access in EHD. Another process using an automated batch job is being developed to assure we catch those employees that have left the Department but were not deactivated by the EH Directors. With these two methods, we will remove access privileges in a time manner when users' separate from employment. Office of Information Technology - for HMS – **Not yet initiated.** Projected Completion Date – August 31,2016 There is currently not a consistent policy for CHD staff governing the restriction and removal of employee access rights to HMS in the event of a separation from the Department or a change of position. For separations, the current procedure is to immediately suspend Department Network access. For HMS, which employs a Single Sign On utility that validates the employee through the DOH Active Directory, Network suspension restricts HMS access. However, removal of HMS access is not consistently reviewed and suspended across the CHDs. **(Continued on next page)**

No.	Finding	Recommendation	Management Response	Corrective Action Plan
				We will: 1) Review and update existing Department policies and procedures to ensure CHD staff with HMS access control responsibilities have clear guidelines for either removal or modification of HMS access in the event of a separation or change of position. Policy should speak to periodic review of HMS to identify actionable inappropriate access rights for removal or modification. A workgroup of CHD staff with HMS access control responsibilities will be convened to discuss issues and solutions. 2) Develop report tools to assist CHD staff with HMS access control responsibilities in the review and identification of employees with inappropriate access. Bureau of Public Health Pharmacy - for PFS – **In progress.** Projected Completion Date – July 1, 2016 The Bureau's Human Resources Liaison currently notifies the Bureau's information technology staff when an employee separates from employment. IOP 52, *Personnel Hiring and Exit/Separation Process*, has been revised to incorporate the specific steps for the Bureau's information technology staff to follow in order to terminate employees' access to PFS, QS1® and the Inventory Resource Management System (IRMS). PFS requirements will be revised to deactivate terminated employees within 28-45 days instead of 90 days. Office of Information Technology - for AD - **In progress.** Projected Completion Date – October 31, 2016 The Office of Information Technology (IT) will create a utility system that will allow appropriate supervisors and up-the-chain managers to deactivate user AD accounts. Upon a manager taking action to deactivate a user's AD account, no other human intervention will be required. The option will be provided to deactivate immediately or deactivate on an upcoming date. The utility system will be worked into the Human Resources (HR) process as well, to ensure this step is accomplished. The Office of IT will recommend to the Divisions and Offices that, where possible, Single Sign On (which integrates with AD) be implemented for their applications so that access to a business system will not be possible once a user's AD account has been deactivated.

Preliminary and Tentative Findings - *Pharmacy Services and Selected Administrative Activities Prior Audit Follow-Up*

No.	Finding	Recommendation	Management Response	Corrective Action Plan
5	As similarly noted in our report No. 2014-014, the Department did not always timely cancel purchasing cards upon a cardholder's separation from Department employment.	We again recommend that Department management promptly cancel purchasing cards upon a cardholder's separation from Department employment.	We concur.	**Completed.** The Bureau of Finance and Accounting began receiving email notifications as of March 24, 2015 directly from Personnel for each employee separation. To monitor this process an Employee Separation report from the People First website is run twice a month. This process began June 1, 2015. In addition, the Employee Verification report from the Department of Financial Services' Purchasing Card website is run twice a month. This process began February 20, 2015.
6	Department staff did not always appropriately conduct leave balance audits for employees separating from Department employment. A similar finding was noted in prior audit reports, most recently in our report No. 2014-014.	To provide for the proper conduct of leave audits, Department management should continue staff training efforts and ensure that staff adhere to established procedures and utilize standard leave audit templates.	We concur.	**In progress.** Projected Completion Date – November 30, 2016 The Department is transitioning the CHDs to six HR regions. Each region, as part of the transition, will be trained in all aspects of HR management, and will comply with consistent practices that have been developed for each area of HR. In addition, a monitoring tool, to be used annually, is being developed to ensure each HR region office complies with processes.

Preliminary and Tentative Findings - *Pharmacy Services and Selected Administrative Activities Prior Audit Follow-Up*

No.	Finding	Recommendation	Management Response	Corrective Action Plan
7	As similarly noted in prior audit reports, most recently in our report No. 2014-014, the Department did not always document the basis for Children's Medical Services (CMS) contract awards in accordance with established policies and procedures or evidence that such services were obtained in the best interests of the State.	We again recommend that Department management ensure that the basis for CMS contract awards is appropriately and adequately documented in accordance with established policies and procedures and that such documentation evidence that CMS services are obtained in the best interests of the State.	We concur.	Division of CMS - for Contracts COQVC and COQVF **In progress.** Projected Completion Date – February 29, 2016 1. Education and training will be provided to contract managers: CMS will have each contract manager review and acknowledge Department policy 250-14-11, *Contractual Services Policy and Procedures*. CMS will also provide educational opportunities to its contract managers. This will be achieved by verifying that all contract managers have taken the required on-line contract management training as required by the Department's Office of Contracts. We will also ensure all contract managers are aware of upcoming training opportunities. 2. Procurement process: CMS will have each contract manager review and acknowledge DOHP 250-9-14, *Purchasing*, and IOP 250-01-15, *Methods of Procurement*. CMS will put into place a process requiring contract managers to send all procurement documents to the CMS Contract Administration Unit for review before submission to purchasing. Office of CMS Managed Care Plan (CMS MCP) - for Contracts COQUZ, COQVD and COQVE **In progress.** Projected Completion Date – March 1, 2016 The CMS MCP is in the process of reviewing all CMS MCP contracts to ensure that contract files are in compliance with established policies and procedures. Additionally, all CMS MCP contract managers have been directed to complete all available trainings in the on-line learning management system offered by the Department's Office of Contracts. Finally, all CMS MCP contract managers have been asked to review Department policy 250-14-11, *Contractual Services Policy and Procedures*, again to ensure their contract files are in compliance with Department policy. An oversight system is in place to ensure compliance with ongoing and newly executed contract requirements.