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Auditee: Pharmacy Department

Prepared by: JAR 12/23/02

Audit: Audit of Central Pharmacy Operations

Reviewed by:

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**Program**

Steps to be Performed		Prepared by	Workpaper Reference
<b>Preliminary Testing</b>			
P1	Review prior audit file.		
P2	Review prior audit reports and responses. Read and identify specific sections to include in the Program as work to be performed.		
P3	Review authoritative guidelines including: <ul style="list-style-type: none"><li>◆ Organizational Policies and Procedures, and</li><li>◆ Federal/State Regulations</li><li>◆ Contracts/agreements</li></ul> for subject areas related to the review. Read and identify specific sections to include in the detailed testing section of Program as work to be performed.		
P4	Review most recent annual financial report as an overview of the subject area.		
P5	Review organizational chart. Identify key staff people from the organizational chart based on their area of responsibility as it relates to this project.		
P6	Prepare engagement letter.		
P7	Contact, schedule, and arrange for an entrance conference with pertinent personnel. Issue the internal control questionnaire (ICQ) to auditee. Document the conference as to attendees and subjects of discussion. Document responses to ICQ upon receipt.		
P8	Obtain a department organization chart. From the chart, identify the key staff people based on their area of responsibility as it relates to this project.		
P9	Obtain job descriptions of the key staff people.		
P10	Obtain copies of department policies and procedures. Read and identify specific subjects to include in the Program as work to be performed.		
P11	Schedule interviews and walk-through of area(s) pertinent to this project. Prepare a system narrative to document the interviews.		
P12	List pertinent accounting records as they relate to this project.		

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P13	Obtain or prepare a map of locations related to this project.		
P14	Based on the above steps, identify and evaluate existing internal controls by area.		
P15	Have Pharmacy complete the ICQ.		
<b>Detailed Testing</b>			
<b>I. Staffing &amp; Licensing</b> <i>Objectives: To determine whether the Pharmacy and its employees are licensed properly and compliant with associated licensing regulations and SLEH Pharmacy Policies 1-6, 2-4, 2-10, 2-11, and 3-2. To determine whether Human Resources has completed necessary background checks and education requirement checks on hired employees.</i>			
1	Verify hospital pharmacy permit is displayed and current.		
2	Verify the Pharmacy Board issued a preceptor site certificate.		
3	Verify that all pharmacists maintain a current license by the Board and that it is displayed appropriately in their work area (if SLEHS is their primary workplace).		
4	Verify that all technicians hold a current certificate from the Pharmacy Technician Certification Board (PTCB).		
5	Verify all employees have received recommended immunizations & TB skin testing as required by departmental policy 3-2.		
<b>II. Security</b> <i>Objective: To determine whether the Pharmacy main location and satellite locations are secured adequately and the related assets are safeguarded appropriately.</i>			
6	Obtain detailed badge reader activity for Central Pharmacy location, including controlled substances vault reader, from Security for the time period of June 1 through December 31, 2002 and a listing of areas with access to Central Pharmacy. <ul style="list-style-type: none"><li>◆ Review activity logs (6 perimeter readers + 1 vault reader) for unusual usage.</li><li>◆ Test badging instances against timesheets of employees to verify appropriateness of access to Central Pharmacy.</li><li>◆ Document recent changes to access by management and reasons for changes. Determine appropriateness of changes and if existing documentation and authorization for change is adequate.</li></ul>		

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7	Observe and document physical security measures and monitoring devices in use including, but not limited to badge readers, keyed locks, self-closing doors, self-locking doors, security cameras.		
<b>III. Inventory Controls</b> <i>Objective: To determine whether pharmaceutical inventories, including the Pyxis are</i> <ul style="list-style-type: none"><li>▪ <i>safeguarded and monitored adequately to prevent unauthorized ordering, dispensing, or diversion of items,</i></li><li>▪ <i>accounted for accurately and appropriately from point of receipt to usage or disposal,</i></li><li>▪ <i>charged correctly to patient accounts when used, and</i></li><li>▪ <i>recorded accurately in the organization's financials.</i></li></ul>			
8	Obtain a detailed listing of all purchases (both controlled and non-controlled substances) made for all Pharmacy cost centers from January through December 2002, excluding SLMT Retail Pharmacy.		
9	Separate prime vendor transactions from purchases made from other vendors as well as controlled and non-controlled substances.		
10	Stratify population and determine sample size to test. Document sample selections for various testing in the following steps.		
11	<b><u>Testing of Purchase Orders</u></b> For sample selected, perform the following on 5 recently issued purchase orders (POs): <ul style="list-style-type: none"><li>▪ Determine whether PO matches purchase requisition.</li><li>▪ Determine that the PO specifies prices, account distribution, quantity, product specifications, delivery and other relevant items.</li><li>▪ Determine quantities are blacked-out on receiving report</li><li>▪ Determine that the selection of the vendor is based on approved criteria.</li><li>▪ Determine that the PO was processed by an authorized Pharmacy individual and has the appropriate authorization(s).</li><li>▪ Determine that the PO number is within the pre-set numbering sequence.</li><li>▪ Determine that the PO price agrees to a formal bid, vendor quote, contract, etc.</li><li>▪ Determine that the GL account distribution is proper.</li></ul>		

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	<ul style="list-style-type: none"><li>▪ Compare quantity ordered to the min/max quantity in the inventory system for reasonableness.</li><li>▪ Determine quantities indicated on receiving report agree with PO</li><li>▪ Trace PO to vendor invoice and cancelled check and verify<ul style="list-style-type: none"><li>○ Accuracy of quantity and amount of invoice</li><li>○ Amount of check</li><li>○ Proper payee</li><li>○ Proper check endorsement &amp; signatures</li><li>○ Proper amount posted to proper GL account</li></ul></li><li>▪ Determine if vendor offered a discount and if discount was applied.</li></ul>		
12	<p><b><u>Testing Interdepartmental Requisitions:</u></b></p> <p>Review a sample of interdepartmental requisitions, including some for controlled substances, and verify that</p> <ul style="list-style-type: none"><li>▪ Requisitions are properly authorized.</li><li>▪ Requisitions are signed by the Pharmacy staff filling the order.</li><li>▪ Trace to documentation substantiating receipt of pharmacy item by unit.</li><li>▪ Items are properly priced.</li><li>▪ Charge totals are properly allocated to proper cost center and credits are properly allocated to proper pharmacy cost center.</li></ul>		
13	<p><b><u>Testing General Ledger:</u></b></p> <p>a. From the GL, determine the location and amount (value) of inventory recorded as of FYE 2001 and 2002. Compare major locations for pharmacy inventories to pharmacy inventories listed the GL. Document any variances.</p> <p>b. Determine whether the inventory records are reconciled to the GL periodically, including wastage/pilferage/spoilage.</p>		
14	<p><b><u>Testing Physical Inventory:</u></b></p> <p>a. Review physical inventory records and other documents from the September 2002 physical inventory count conducted by Property Accounting. Discuss count discrepancies noted then with Pharmacy personnel and</p>		

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	determine possible reasons for shortages/overages and whether inventory records were adjusted per the physical count.  b. Judgmentally select some pharmaceuticals from a specified date's inventory listing and test count quantities on-hand and compare with reported quantities. Document any differences.		
15	<b><u>Additional Testing of Controlled Substances:</u></b>  a. Determine that all Schedule II through IV narcotics have reorder points. Verify reorder points using a small sample of narcotics on-hand. Document the sample selection.  b. Obtain controlled substance wastage reports for 1 recent day from Pyxis. Obtain documentation for all drugs distributed from Controlled Substances for that day including the "Controlled Drugs 24-hour Distribution Record" and the "Delivery Signature Receipt" record. Reconcile the wastage reports to the supporting documentation noting discrepancies.  c. Document how medications prepared but not given to the patient are accounted for. Review documentation of waste and refusals, ensuring documentation of waste or refusal is witnessed by a 2 <sup>nd</sup> RN.  d. Document the quantities and per unit cost from last physical inventory. Inventory the sample drugs in Central Pharmacy. Reconcile the quantities counted to the controlled substances inventory records at each unit.  e. Sample drugs in stock and determine there is no expired, discontinued, or re-called drugs present.  f. Review procedures in transferring drugs from the storeroom to Central Pharmacy to units and patient drug carts. Determine if these procedures are adequate to protect and control the narcotics.  g. Select a sample of distribution records. Document the sample selection. Trace the entries to charge documents (Patient Medication Profile) and the patient's Medication Administration Record (MAR) in the medical record. Document any discrepancies.		
16	<b><u>Operational Review of IDS Carousel &amp; Robot</u></b>  a. Review error logs and other reports generated by systems to ensure accuracy and effectiveness of system and to verify reported error rate.  b. Interview staff to verify noted problems/concerns in		

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	operations. c. Observe daily operations of systems related to accuracy of filled med orders and effect to workflow.		
<b>IV. Volunteer Testing</b> <i>Objective: Determine appropriate background checks have been performed and TB testing standards are established and utilized for volunteers in Pharmacy. Ensure volunteer duties performed do not require licensure or certification.</i>			
17	a. Obtain a list of volunteers working in Pharmacy from Director of Volunteers. b. Obtain policies regarding volunteer background checks and immunizations. Verify agreement with organizational policy governing employees. c. If applicable, verify current TB testing on volunteers in Pharmacy with Employee Health.		
<b>V. Formulary Testing</b> <i>Objective: Determine accuracy of charges.</i>			
18	Obtain tables in formulary and drugs in formulary.		
19	Randomly select 29 drugs to recalculate charge cost in formulary. Document discrepancies and reasons.		
20	For TPNs, obtain documentation regarding charge cost calculation and associated backup.		
<b>Conclusion</b>			
21	Draft the audit report and send to auditee(s), management, and executive management for responses.		
22	Prepare final audit report, including auditee responses if needed.		
23	Distribute report accordingly.		
24	Review computer files to determine which files are pertinent to this project. Delete any unnecessary files and prepare the Diskette Contents List.		