

Summary of Findings

Issue	Risk	Recommendation	Management's Response
CII Cage Enlargement			
1.	Per discussions with the DC Manager, the CII Cage/Vault can not always handle the Woodland receiving volume for controlled substances. At times, the Woodland DC has to stage CII controlled substances outside the CII Cage/Vault to allow for adequate working conditions.	CII Controlled substances left outside the designated security cage may be susceptible to theft. In addition, the DC could be found in non-compliance with DEA Regulation Section 1301.71 regarding effective security controls to eliminate the possibility of controlled substance diversion.	We recommend the CII Cage be enlarged to accommodate all CII drugs or take other security measures as prescribed by the DEA Regulations and Walgreens policy.
			John Coman, Distribution Center Manager
			<p>1. Available storage and work space within the CII Cage will need to be addressed, particularly with projected store growth and the implementation of Pedigree in California.</p> <p>2. There are occasions where CII receipts are stored outside the cage area due to workspace availability. These pallets are located within the control of CII management and team members. The product is not unattended, it is outside of the cage area in RX receiving which is a badge access area.</p>
			Estimated Completion Date:
			June 30, 2008 - Expansion of the CII area will be a line item submitted on the Woodland FY09 capital budget.
			August 31, 2009 – Expansion of CII Cage, assuming budget approval.

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Suspicious Control Drug Orders Report			
2. Walgreens is submitting the Monthly Suspicious Control Drug Orders Report (SCDOR) to the DEA with numerous instances of filled suspicious controlled substance orders. Also, there is no monitoring process in place to stop a suspicious order to assess if the order is suspicious or not.	Walgreens is filling orders that have been deemed suspicious without performing any research to ascertain the legitimacy of the order, which could lead to non-compliance with DEA Regulation Section 1301.74.	We recommend Walgreens develop a cross-functional team consisting of the Logistics, Corporate and Regulatory Law and Loss Prevention Departments to assess what is considered a suspicious controlled drug order and revisit the report parameters to reduce the report size to a manageable level. Discussions should also include how to effectively train DC employees to monitor and manage the report.	Dwayne Pinon, Senior Attorney An ongoing, cross-functional team meeting has been scheduled for June 30, 2008, to address the requirements for Suspicious Orders Reporting. Estimated Completion Date: June 30, 2008
Documentation of Screening Tests and Criminal Background Checks for All Employees Having Regular Access to the Controlled Substance Areas			
3. Our review of the required background checks and screening tests for twenty-eight employees disclosed employee records lacked the following documentation: <ul style="list-style-type: none"> • Three (11%) DEA Employee Screening Questionnaires; • One (4%) National Criminal Records Check; and • Seven (25%) Local Criminal Records Checks 	Failure to perform the required background checks and screening tests may result in the hire of individuals that may be considered unemployable had the checks been performed. In addition, Walgreens could be found in non-compliance with Section 1301.93 regarding employee background checks.	We recommend the following: 1. Take the necessary actions to update the employee personnel files for the missing documentation. 2. On a quarterly basis, review and update the files of all employees having regular access to controlled substances to ensure that all screening tests for all required employees have been executed.	John Coman, Distribution Center Manager 1. The Woodland DC has updated the employee personnel files for the missing documentation. 2. The Woodland DC will continue our quarterly review process for all employees having regular access to controlled substances to ensure that all required documentation is obtained and filed. 1 & 2. Estimated Completion Date: Complete.

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Vendor Address Absent from Controlled Item Receipts (REBP307)			
<p>4. In order to provide a complete record of the origin of controlled substances, the DEA requires specific information, such as Vendor name and address, to be recorded on the CII receiving records. The Woodland DC report, REPB 307, used by Walgreens as the primary CII controlled substance receiving record, does not include the vendor's actual shipping address, as required by DEA regulations.</p>	<p>The receiving report provided to the DEA during their review does not have the required DEA information, which could lead to non-compliance with DEA regulation Section 1304.22 (b).</p>	<p>We recommend:</p> <ol style="list-style-type: none"> 1. Logistics and Planning revisit this issue with Corporate and Regulatory Law to determine if the receiving report (REPB) should be modified to include the vendor's shipping address and/or how the vendor profile can substantiate such requirement. 2. Based on the management response received from Logistics and Planning, a formal policy should be developed requiring all DCs to use the Receiving Report (REPB309) for all DEA receiving inquiries. 	<p>1. Jason Elliot, Manager, Flow, EDA, Inbound, Vendor Compliance</p> <p>We believe DC's should be using REPB309 report for DEA Review. REPB307 is for ad hoc inquiry only and not for DEA Review. REPB309 has the vendor shipping point and address information.</p> <p>2. Dan Coughlin, Regional VP Distribution Centers and Logistics</p> <p>Per Jason Elliot's note above, all DC's were requested to review the conversion to the REPB309 report, to determine if any facility would have a specific reason from past DEA audits to not convert to this form. Based on that feedback, the on-line DEA Manual has been updated to instruct all DC's to use only the REPB309 report as their primary document for DEA inspections.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>

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Controlled Drug Cage Cellular Back-up Test Procedures			
<p>5. The Woodland DC has inadequate testing procedures to ensure the cellular back-up was functioning correctly. During our review, Asset Protection (AP) had begun to take corrective action to update their control cage testing procedures and follow-up with F. E. Moran to assess the cause of the issue.</p>	<p>In the instance of communication loss, the Woodland DC is at risk of not having a secondary line of communication with Central Monitoring and non-compliance with DEA Regulations Section 1301.72.</p>	<p>We recommend the Woodland DC:</p> <ol style="list-style-type: none"> 1. Work with Corporate AP to ensure local AP personnel can periodically test the cell phone connection from the DC. 2. Documentation of such verification should be maintained with periodic cage testing documentation. 	<p>John Coman, Distribution Center Manager</p> <ol style="list-style-type: none"> 1. The Woodland DC is in the process of working with Corporate AP to ensure local AP personnel are fully aware and trained how to adequately test the backup cell phone. 2. The Woodland DC will start maintaining backup cell phone testing results with the periodic cage testing documentation. <p>2. Estimated Completion Date:</p> <p>June 30, 2008</p>

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Closed Store with DEA 222 Forms On-hand			
<p>6. The Woodland DC does not have a return process in place to identify closed stores with unused DEA form 222s. A judgmental sample of fifteen closed stores in the Woodland DC's AS/400 system disclosed the Woodland DC had unused DEA form 222s for thirteen (87%) closed stores.</p> <p>The Corporate and Regulatory Law Department has advised that the stores' pharmacy licenses are not active and further recommends the respective DEA Registrations be relinquished and the DEA form 222s be returned to the local field office.</p>	<p>The potential use of an inactive DEA Form 222 could lead to inadequate shipping documentation, creating non-compliance with DEA Regulation Section 1305.18.</p>	<p>We recommend the Woodland DC:</p> <ol style="list-style-type: none"> 1. Follow the guidance provided by the Corporate and Regulatory Law Department to have the DEA form 222s returned to Corporate. 2. Develop a quarterly review process to compare stores with unused DEA form 222s against stores the DC services. 	<p>John Coman, Distribution Center Manager</p> <p>The Woodland DC agrees with both recommendations. The DC has returned the DEA form 222s for the closed stores and developed the quarterly review process.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>
Shipping Procedures – Unattended Controlled Substances			
<p>7. During the CII receiving observation, we noticed an unattended pallet of CIII-V controlled substances on the shipping dock. (Shipping team members were on lunch break).</p>	<p>Unattended CII drugs left unsecured may be susceptible to theft. In addition, the DC could be found in non-compliance with DEA Regulation Section 1301.71 regarding effective security controls to eliminate the possibility of controlled substance diversion.</p>	<p>We recommend the Woodland DC management reiterate the shipping policies and procedures found in the compliance manual to the Shipping team members, ensuring CIII-V controlled substances are properly secured in the transport cage.</p>	<p>John Coman, Distribution Center Manager</p> <p>The Woodland DC has reiterated the shipping policies and procedures to the Shipping team members, highlighting controlled substances should never be left unattended. Also, the DC has implemented monthly reminders in start-up meetings.</p>

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			<p>Estimated Completion Date: Complete.</p>
<u>Receiving Controlled Substances into the Cage Procedures</u>			
<p>8. During our review of the CIII-V receiving process, we observed a transporter, who dropped off a pallet of controlled substances and left them unattended by the controlled substance security cage. Rx Team Members were at lunch and not present to properly receive and secure the drugs within the cage.</p>	<p>Controlled substances left unsecured may be susceptible to theft. In addition, the DC could be found in non-compliance with DEA Regulation Section 1301.71 regarding effective security controls to eliminate the possibility of controlled substance diversion.</p>	<p>We recommend the Woodland DC management reiterate the receiving policies and procedures found in the compliance manual to the Rx Receiving team members.</p>	<p>John Coman, Distribution Center Manager</p> <p>The Woodland DC has reiterated the receiving policies and procedures to the Rx Receiving team members, highlighting controlled substances should never be left unattended. Also, the DC has implemented monthly reminders in start-up meetings.</p> <p>Estimated Completion Date: Complete.</p>
<u>Receiving Procedures – Checking for Concealed Shortages</u>			
<p>9. Our observation of the receiving process disclosed that items received are not always individually counted and inspected. Usually, only one box is opened and the contents inspected when multiple boxes of the same item is received. The remaining boxes are left unopened and the counts printed on the box label are relied upon during the verification and check in process.</p>	<p>As a result, shortages (either intentional or unintentional) or expired product may not be detected in a timely basis.</p>	<p>We recommend the Woodland DC ensure all of the controlled substance boxes/cases that are received are opened to identify any concealed shortages and that all lot numbers are correct.</p>	<p>John Coman, Distribution Center Manager</p> <p>The action items have been discussed with our Vice President. New operational procedures will be developed and submitted for handling of large controlled substance receipts.</p> <p>Estimated Completion Date: June 30, 2008</p>

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Controlled Substance Cage Camera Coverage			
<p>10. Our tests of security cameras and motion detectors in the CII cage/vault and CIII-V controlled substance cage disclosed blind spots. Additionally, one motion detector was not activated during the testing of the alarm system.</p>	<p>Inadequate security camera coverage and/or inoperable motion detectors limit the ability to monitor activity within the controlled substance cages and the ability to observe or record the occurrence of theft.</p>	<p>We recommend Corporate AP work with the Woodland DC to ensure camera positions provide adequate coverage to every area within the controlled substance cages and vault. In addition, the DC should take the necessary steps to ensure all motion detectors are activated at all times.</p>	<p>John Coman, Distribution Center Manager</p> <p>The Woodland DC has worked with Corporate AP and made the necessary modifications to provide adequate motion detector and camera coverage to every area within the controlled substance cages and vault.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>
Control Drug Cage Layout Documentation			
<p>11. The alarm point assignments on the AP's Data Sheets used for the alarm testing do not agree to the cage and vault layout diagrams. Additionally, the cage and vault layouts do not account for camera coverage.</p>	<p>There is no assurance that AP can monitor and test all alarm points in the cages and vault.</p>	<p>We recommend the Woodland DC management and AP review the current adequacy of the controlled substance cage and vault camera and motion detector locations and make the necessary updates to align with the cage and vault layout diagrams.</p>	<p>John Coman, Distribution Center Manager</p> <p>The Woodland DC agrees with the recommendation. We have worked with Corporate AP and made the necessary updates to align the vault camera and motion detector locations with the cage and vault layout diagrams.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>

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Multiple "Forced Door Open" Instances				
12.	<p>Our review of the Threshold Event Archive Summary Report for two weeks of access to both CII and CIII-V cages disclosed multiple instances of "forced door open" entries. Further investigation disclosed these "forced door open" entries occurred as a result of the Rx team members keeping the controlled substance cage door open for extended periods of time rather than logging in and out as required by Corporate policy.</p>	<p>Non-compliance with Corporate security policies may allow unauthorized access to controlled substances.</p>	<p>We recommend:</p> <ol style="list-style-type: none"> 1. The Woodland DC Management reiterates the policy for entering/exiting both cages to all team members having access to the controlled substance cages. 2. AP perform periodic reviews of all Threshold Access Reports and investigate all exceptions. 	<p>John Coman, Distribution Center Manager</p> <ol style="list-style-type: none"> 1. Security policies and procedures for entering and exiting controlled substances have been reiterated with the respective personnel during Department start-up meetings. 2. The AP team has performed and incorporated the periodic review with their alarm testing process on the first of each month. <p>1. Estimated Completion Date: Complete.</p> <p>2. Estimated Completion Date: Complete.</p>

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Employee Access List to CII and CIII-V Cages			
13. Our comparison of permanent Threshold Employee Access Report to the controlled substance cages to the DC Manager's Rx Cage Authorized Access Listing determined that three employees were on list and not on Threshold Report.	The Woodland DC may be granting unnecessary access to the controlled substance cages.	We recommend AP perform a periodic review of the permanent Threshold Employee Access Report to the controlled substance cages to the DC Manager's Rx Cage Authorized Access Listing posted on the CII & CIII-V Cage Door to ensure the DC is granting necessary access.	<p>John Coman, Distribution Center Manager</p> <p>The DC Manager's Rx Cage Authorized Access Listing has been updated. The AP Office has started performing the review on the first of each month, along with filing the older versions.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>
Damage CII Cabinet and CII Rx Roll Cage Keys			
14. The Damaged CII Cabinet and CII Rx Roll Cage keys are not Logged In/Out daily by AP.	The Woodland DC may be unable to assign accountability to the keys if there is controlled substance diversion.	We recommend the Woodland DC follow the AP procedure for logging the Damaged CII Cabinet & CII Rx Roll Cage keys in/out on a daily basis.	<p>John Coman, Distribution Center Manager</p> <p>The Woodland DC agrees with the recommendation and is accounting for the Damaged CII Cabinet and CII Rx Roll Cage keys on a daily basis, using a Daily Log Sheet.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>

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Unlocked Damaged CIII-V Controlled Substance Cabinet				
15.	During the alarm testing for the CIII-V controlled substance cage, Internal Audit was able to open the damaged CIII-V cabinet without a key.	There is potential for diversion of controlled substances relating to the damaged CIII-V cabinet if not locked at all times.	<p>We recommend the Woodland DC:</p> <ol style="list-style-type: none"> 1. Reiterate the procedures for storing controlled substances in the returned cabinet to the CIII-V Rx team members. 2. Follow the AP procedure for logging the Damaged CIII-V Cabinet keys in/out on a daily basis. 	<p>John Coman, Distribution Center Manager</p> <p>We agree with both recommendations. The Woodland DC has reiterated the policy for storing controlled substances in the Damaged CIII-V Cabinet and has begun to log the keys in/out with the AP Office.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>
Asset Protection Training Manual				
16.	The Woodland DC does not have a documented AP Training Manual, defining objectives, policies and procedures for all areas of the AP function.	If policies and procedures are not documented for the AP team, employees may not know what objectives, policies and procedures management has established for the AP function. This could result in business decisions and inconsistent procedures that are not in the best interests of Walgreens. In addition, the continuity of the AP function could be negatively impacted in the event of personnel turnover.	<p>We recommend the Woodland DC AP Office work with Corporate AP to develop a comprehensive training manual.</p>	<p>John Coman, Distribution Center Manager</p> <p>The Woodland DC agrees with the recommendation and has requested the assistance of Corporate AP to ensure all objectives, policies and procedures have been taken into account in the training manual. Additionally, the Woodland DC has manuals from other sites that can be incorporated into a Woodland specific AP manual.</p> <p>Estimated Completion Date:</p> <p>June 30, 2008</p>

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Loss Prevention Incident Reports for Controlled Substances			
<p>17. The Woodland DC AP Office is not maintaining the Loss Prevention Incident Reports regarding incidents/issues with controlled substances.</p>	<p>Because the Woodland DC does not maintain the Loss Prevention Incident Report, the Woodland DC is not able to monitor, track to resolution, and identify trends regarding controlled substance incidents/issues.</p>	<p>We recommend Corporate AP:</p> <p>Short Term Recommendation:</p> <p>1. Work with the Woodland AP Office to utilize the same Loss Prevention Incident Report format as the Waxahachie DC.</p> <p>Long Term Recommendation:</p> <p>2. Develop a Company-wide standard/format to be used by all DCs for reporting controlled substance incidents. The standard/format should identify what a reportable controlled substance incident is, what attributes to track, and what is considered a resolution to close the incident.</p>	<p>Matt Linden, Corporate AP</p> <p>1. An AP Function Manger has been hired at the Woodland DC. Corporate AP has trained the AP Office to document controlled substance incidents using the Waxahachie Loss Prevention Incident Report format.</p> <p>2. Corporate AP is currently in the process of developing a company-wide Access Database Incident Reporting System that will allow all DCs to have consistent reporting standards. In the interim, all DCs will be required to use the Waxahachie Incident Reporting format.</p> <p>1. Estimated Completion Date:</p> <p>Complete</p> <p>2. Estimated Completion Date:</p> <p>August 31, 2009 - Scheduled to be completed by end of FY09.</p>

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SAIL Report Monitoring			
18.	During our review, the Woodland DC did not have an Asset Protection Function Manager (APFM) to forward the SAIL Report to on a monthly and as needed basis, per Walgreens policy. The SAIL report is forwarded to the DC Manager and Outbound Manager on a quarterly basis.	There is less assurance that trends relating to controlled substance diversion are identified and monitored in a timely manner. In addition, the Woodland DC is in non-compliance with Walgreens policy.	<p>We recommend Corporate AP notify the Woodland SAIL Coordinator and Internal Audit who the contact should be and frequency for the SAIL report for the interim until the APFM position is filled.</p> <p>Matt Linden, Corporate AP</p> <p>An APFM has been hired at the Woodland DC. The SAIL Report is now being sent to the APFM, DC Manager and Corporate AP on a monthly basis and upon occurrence of controlled substance issues.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>
Pseudoephedrine List One Substances Security Strengthening			
19.	Although Pseudoephedrine (PSE) List One substances are limited to a specific Mod, the Woodland DC receives and ships PSE substances as general merchandise. PSE security could be strengthened, given the high risk of diversion noted by the DEA in recent months.	Because PSE items are located in the general merchandise section of the DC, which has less security measures than the Rx Section to prevent the risk of theft, the Woodland DC may not be in compliance with DEA Regulations Section 1309.71 regarding PSE security.	<p>We recommend the Walgreens DCs start conducting cycle counts (inventory) for five PSE items on a weekly basis to increase PSE security.</p> <p>Dan Coughlin, Regional VP Distribution Centers and Logistics</p> <p>Based on DC responses, the physical counting of at least 5 PSE items per week will be performed electronically effective March 1, 2008. Records of variances would be determined from audit trail records.</p> <p>Estimated Completion Date:</p> <p>Complete.</p>

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