da-wl

**U.S. Department of Justice**
Drug Enforcement Administration

RP-Q

# REPORT OF INVESTIGATION



| 1. Program Code | 2. Cross File / Related Files | 3. File No. [redacted] | 4. G-DEP Identifier |
|---|---|---|---|
| 5. By: DI Brian Glaudel<br>At: Sacramento, CA | ☐ ☐ ☐ ☐ ☐ | 6. File Title WALGREEN COMPANY<br>2370 East Main Street<br>Woodland, CA 95776 | |
| 7. ☐ Closed ☐ Requested Action Completed<br>☐ Action Requested By: | | 8. Date Prepared<br>3/14/04 | |
| 9. Other Officers: DI Susan Peters | | | |
| 10. Report Re: Scheduled Investigation; Actionable<br>DEA #RW0204026 [redacted] | | | |

## SYNOPSIS:

This scheduled accountability investigation of the Woodland, CA location of WALGREEN COMPANY was initiated on November 30, 2004. The Investigators were on-site between the dates of November 30, 2004 through December 14, 2004. This investigation was conducted in accordance with the FY2005 Work-Plan for the San Francisco Field Division, Sacramento District Office.

WALGREEN COMPANY is a distributor of controlled substances in Schedules 2 through 5, DEA #RW0204026. This investigation revealed that WALGREEN COMPANY stored Schedule 2 controlled substances outside of an approved vault and failed to submit twenty DEA 106 forms, Report of Theft or Loss of Controlled Substances, to DEA to document in-transit losses between 1/17/2003- 8/5/2004. The audit of the controlled substances revealed no discrepancies for the six (6) controlled substances chosen. Investigators requested information from Mark KENNEY, WALGREEN Distribution Center Manager, regarding their investigations about in-transit losses from the distribution center. This investigation will be completed when Mark Kenney provides the requested information regarding the investigation of in-transit losses.

| 11. Distribution: | 12. Signature (Agent) | 13. Date |
|---|---|---|
| Division [redacted]<br>District<br>Other [redacted] | DI Brian Glaudel | |
| | 14. Approved (Name and Title)<br>Katherine L. Chaney<br>Group Supervisor | 15. Date |

DEA Form - 6
(Jul. 1996)
bg

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CCSF v. Purdue Pharma, et al. 3:18-CV-7591
**WAG-MDL-00041**
Admitted: 07/01/2022

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**ENCLOSURE PAGE**

1. Notice of Inspection (DEA Form 82)
2. Closing Inventory dated 11/30/2004 (COB), 2 pages
3. Computation Chart, 2 pages
4. WALGREEN Distribution Center Management Organizational Chart
5. Photocopy of CA Board of Pharmacy Wholesale Drug Permit for WALGREENS
6. List of Schedule 2 Vault authorized employees
7. List of Schedule 3-5 Cage authorized employees
8. WALGREEN Woodland DC Pharmacy Exemptee License List
9. Alarm Company information
10. List of WALGREEN Distribution Centers
12. Pre-employment drug screen information
13. Photocopy of DEA registration
14. City of Woodland Police Department Alarm Permit
15. In-Transit Theft Analysis package, 5 pages
16. Twenty DEA 106 forms not properly filed by WALGREENS



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## 1. BASIS FOR INVESTIGATION:

This investigation was initiated in accordance with the FY2005 Work-Plan for the San Francisco Field Division, Sacramento District Office. WALGREEN COMPANY (WALGREEN WOODLAND) is registered with DEA as a distributor in Schedules 2 through 5, DEA #RW0204026.

This investigation included interviews with the firm's management, an in-depth accountability audit of the controlled substances, a test of the firm's alarm protection system, and a review of all applicable records and recordkeeping systems. The investigators selected a total of six (6) controlled substances to audit based on their potential for diversion in the area.

## 2. BACKGROUND INFORMATION:

The WALGREEN COMPANY is a pharmaceutical company which operates 5000 retail pharmacies and 9 wholesale distribution facilities nationwide. The company is incorporated in Illinois with corporate offices located at 200 Wilmot Road, Deerfield, IL 60015, telephone #708-940-2500. The corporate officers are listed as follows:

| | |
|---|---|
| D.W. Bernauer | Chairman, CEO |
| C.R. Walgreen | Chairman Emeritus |
| Jeffrey A. Rein | President, COO |
| Vernon A. Brunner | Executive VP |
| J. Randy Lewis | VP, Distributions |
| J.B. Karlin | VP, Western Operations |
| Terry Watkins | Regional Director |

In addition to the facility in Woodland, CA, the WALGREEN COMPANY also operates distribution facilities in the following cities:

| | |
|---|---|
| Berkeley, IL | Jupiter, FL |
| Flagstaff, AZ | Lehigh Valley, PA |
| Houston, TX | Moreno Valley, PA |
| Mt. Vernon, IL | Perrysburg, OH |
| Orlando, FL | Waxahachie, TX |



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Valparaiso, IN Puerto Rico
Windsor, WI

WALGREEN WOODLAND is authorized to handle controlled substances by the following state and federal agencies:

**a)** California Board of Pharmacy
Wholesale Drug Distributor License #WLS 2964
Expiration date 04/01/05

Pharmacy License Exemptee's (California pharmacy law requires a registered pharmacist on site during the operation of any facility handling pharmaceuticals. In the absence of a registered pharmacist, a licensed exemptee can work at the facility).

| Name | Exemptee # | Exp. Date | DOB |
|---|---|---|---|
| John R. Coman | 13075 | 02/01/01 | [redacted] |
| Jerry Angleich | 14959 | 05/01/01 | |
| Fernando Barba | 13097 | 03/01/01 | |
| Philip Chanco | 14077 | 12/01/01 | |
| Jeff Moody | Pending | Pending | |
| Larry Haynes | Pending | Pending | |
| Robert Stewart | Pending | Pending | |
| Martha McKeen | Pending | Pending | |
| Bill Bush | Pending | Pending | |

**b)** Drug Enforcement Administration
DEA #RW0204026
Schedule 2 through 5 Distributor
Expiration date 05/31/01

The hours of operation of the firm are listed as follows:

Office: 7:00 am to 3:30 pm Monday-Friday
"As needed" Saturdays, Sundays, Holidays

Warehouse: Continuous operations Sunday 7:00PM through Friday 5:00 PM
Receiving only: Saturday and Sunday 8:00 AM - 6:00 PM



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The telephone number for the firm is (530) 668-7720 or (530) 668-7712. There are currently 600+ employees at this facility (managers, office staff, and warehouse workers). This location services 350 Walgreen Pharmacy locations in California and Washington (the WALGREENS WOODLAND facility only delivers Schedules 3 through 5 controlled substances). This location also services over 2600 Walgreen Pharmacies throughout the Western United States (the WALGREENS WOODLAND facility delivers only Schedules 2 controlled substances). This regional distribution facility is the largest in production out of 9 Walgreen facilities. WALGREENS representatives estimated controlled substance sales to be 1% of their total volume.

Query of the M204 system revealed that WALGREEN WOODLAND was issued [redacted] Further query and review of the files in the Sacramento District Office revealed the following:

[redacted] The second accountability investigation of the Woodland, CA location of WALGREEN COMPANY was initiated on October 17, 2000 and concluded on October 23, 2000 (on-site dates). This investigation failed to uncover any recordkeeping or security violations. The audit of the controlled substances including steroids revealed no discrepancies for the (12) twelve substances chosen.

[redacted] This Modification of Registration General File dated September 9, 1999, documents the addition and subsequent DEA approval of a Schedule 2 controlled substance vault and vault cage at the WALGREEN WOODLAND distribution facility.

[redacted] The first accountability investigation of the Woodland, CA location of WALGREEN COMPANY was initiated on April 18, 1996 and concluded on April 23, 1996(on-site dates). This investigation failed to uncover any recordkeeping or security violations. The audit of the controlled substances including steroids revealed no discrepancies for the (6) six substances chosen.

[redacted] General Information file established by the Sacramento RO.



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[redacted] dated April 17, 1995 : This Approval of Application, DEA 225 documented the firm's application for registration. The report primarily dealt with the firm's controlled substance security systems and corporate management.

**3. PERSONS INTERVIEWED AND INDIVIDUAL RESPONSIBILITY:**

On November 30, 2004, Diversion Investigators Brian Glaudel and Susan Peters presented credentials and a Notice of Inspection (DEA Form 82) to Mark KENNEY, Distribution Center Manager, who signed the Notice of Inspection. Mr. KENNEY was advised of his rights as per 21 CFR 1316.08, Consent to Inspection. Mr. KENNEY was given a copy of the Notice of Inspection. Mr. KENNEY has overall responsibility for recordkeeping and security. Also present during the interview was Shawna Compton (Human Resources Manager), Philip Chanco (Controlled Substance Vault Manager), and Bill Bush (Outbound Manager). All provided the Investigators with requested information during the course of the investigation.

The WALGREEN WOODLAND management team consists of the following:

| Name | Position | DOB |
|---|---|---|
| Mark KENNEY | DC Manager | [redacted] |
| John Coman | Operations Mgr. | |
| Shawna Compton | Human Resouces Mgr. | |
| Bill Bush | Outbound Mgr. | |
| Fernando Barba | Inbound Manager | |
| Philip Chanco | Sch 2 Vault Manager | |

Mr. KENNEY is responsible for the day to day operations of the WALGREEN WOODLAND facility.

**4. SCOPE OF INVESTIGATION:**

The on site investigation was conducted during normal business hours from November 30, 2004 through December 2, 2004 and also on December 14, 2004. The controlled substance accountability period extended from 5/27/2004 (COB) through 11/30/2004(COB) for Schedule 2 controlled substances. The



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controlled substance accountability period extended from 5/26/2004(COB) through 11/30/2004(COB) for Schedule 3-5 controlled substances. The following controlled substances were selected for accountability based on the quantities handled and potential for abuse:

| Controlled Substance | Package Size | Schedule |
|---|---|---|
| OxyContin 10mg tab | 100 ct. | 2 |
| Oxycodone/APAP 5/325 tab | 500 ct. | 2 |
| Methylphenidate 10mg | 100 ct. | 2 |
| Norco 10/325 tab | 100 ct. | 3 |
| Diazepam 5mg tab | 500 ct | 4 |
| Promethazine VC Codeine Syrup | 16 oz. | 5 |

The accountability audit portion of the scheduled investigation resulted in no variance for any of the above controlled substances audited.

**5. RECORD KEEPING:**

**a) Initial Inventory:** The firm took a full physical inventory on 5/27/2004(COB) of all Schedule 2 controlled substances. The firm took a full physical inventory on 5/26/2004(COB) of all Schedule 3-5 controlled substances. The initial inventory figure for this investigation was taken from the inventories referenced above. The firm inventories all controlled substances on a weekly basis. The firm performs a complete physical inventory of all products at the end of each year.

**b) Closing Inventory:** On 11/30/2004(COB), DI's Brian Glaudel and Susan Peters with the assistance of Philip Chanco (Vault Manager) took an inventory by physical count of the Schedule 2 controlled substances to be audited. On 11/30/2004(COB), DI's Brian Glaudel and Susan Peters with the assistance of Bill Bush (Outbound Manager) took an inventory by physical count of the Schedule 3-5 controlled substances to be audited.

**c) Biennial Inventory:** The firm took a biennial inventory on December 31, 2002 as required by 21 CFR 1304.13.



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**d) Receiving Records:** The receiving information for the Schedule 2 controlled substances was obtained from the purchaser's copy of the DEA 222 Order Forms. These forms were stapled to the respective WALGREEN COMPANY purchase orders, and a computer generated WALGREEN COMPANY Supplier Purchase Order Receiver form.

The DEA-222 Order Forms are filed in the file room by vendor and date with the Schedule 2 purchase orders. These forms were properly completed with the amount and date received. Schedule II purchases are initiated by execution of the firm's order forms which are stored at the WALGREEN Corporate Office, 200 Wilmot Road, Deerfield, IL 60015.

For Schedules 3 through 5, the firm employs a "zero paper record" system which is based upon the use of a computer system. When a shipment of controlled substances is received, the computer generates a REPB 232 Manual Check in Form. This form lists the purchase order, vendor, item, and description, and all information relative to the description and quantity of substances. Controlled substances are designated with a "c" in the "Ctrl Drug" box. This form is maintained by the WALGREEN WOODLAND facility in their file room.

With the "zero paper record" system, the original invoices are sent directly from the supplier to WALGREEN Accounting Center in Danville, Illinois for processing/payment. As each receipt is made, the information is updated on the computer in Danville so that the entire system is up to date on receipts etc. without a delay in transferring documents.

Upon request, the firm can generate a REPB 307, WALGREEN Controlled Item Receipts Form. This form represents one week increments for each type of drug (ARCOS/Non-ARCOS) and indicates the date received, description, item #, case pack, ordered amounts, received amounts, control category, purchase order #, vendor, DEA #, freight bill, and carrier. Each of the forms is filed in the file room by vendor and date. These records were reviewed for accuracy and no discrepancies were noted.

In addition, the firm can also provide a REPB 263, Receiving Detail Report which is a summary of the information provided on the REPB 232. This form



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includes the receiving report #, vendor DEA #, address, item #, description, amounts received.

After the substances are received at the receiving dock, a Secured Drugs Transport Form #1501 is prepared. This form documents the date of receipt, time, vendor, transporter, Purchase order #, Rx Supervisor name, # of cartons on pallet, checker name (in cage), carrier name and local number.

Each receipt is then manually logged into a WALGREEN Control Log Book which is maintained for each controlled substance. This form includes the drug item code and description, beginning total, date of activity, store #/purchase #, invoice/tag #, date received, quantity, quantity received/returned to stock total and initials. This same form is used to document all sales to an individual WALGREEN facility.

**e) Sales/Distribution Records:** The supplier's copies of the DEA-222 Order Forms are used as the primary record for documenting sales of Schedule 2 controlled substances. These forms are stapled to the respective computer generated WALGREEN COMPANY OFPB 612 CII Pick Document Form. All sales records are filed by day and were properly completed with the amount and date shipped.

As each order is prepared, a CII Pick document (Schedule 2) and a Split Case Pick document (Schedule 3 through 5) is generated. This computer generated form includes information for the store #, order #, process date, store address, store and warehouse DEA numbers, bar scan ID #, location, quantity, item #, initials, description, and line number. The accompanying bar code label is removed from the form and placed on the side of the tote destined for the particular store. This form is completed by the picker and the contents of the tote are double checked by the checker. The controlled substance totes are not marked to specifically identify controlled substances.

The controlled substances are taken to the shipping dock area. The transfer of the controlled substances is documented via Controlled Drug/Refrigerated Rx Transport Record Form 1076. This form includes the date, trailer #, dock #, store ID #, control #, and initials. The date



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and time shipped is also indicated. This form is kept in the shipping department for 5 years.

The firm can generate a WALGREEN Control Drug Shipments by "Item" Report #SBPB 655F. This computer printout shows the warehouse DEA #, ship date, purchaser DEA #, store name, address, quantities, shipment #, and shipment date. This form shows all sales for any particular date.

Once a store receives a tote, the receiving clerk will take a bar code reader and scan the code on the end of the tote. The entire record of the shipment will appear on the screen. The items are then recorded against the entries for each item. A "hard copy" form is then generated by the respective stores (for Schedule 2 controlled substances, this form is generated in addition to the receiver copy of the DEA-222 Order Form); the form is known as the WALGREEN Shipments Store Receiving Document.

**f) Records of Returned or Damaged Goods:** All returns to vendors from the WALGREEN WOODLAND facility are handled via a Vendor Return Claim Form #42. This form includes information for the name, address of the vendor/supplier, item code, item description, reason code, and quantity. The firm does not use DEA Form 41 for drug destruction transfers. All destruction is conducted by the Windsor, WI facility. WALGREEN WOODLAND does not permit the return of controlled substances to their facility from any retail pharmacy locations. All such returns are dealt with between the returning pharmacy and the Windsor, WI facility.

**g) ARCOS:** On December 6, 2004, DI Glaudel contacted the ARCOS Unit and verified that the firm reports monthly on magnetic tape.

**h) Thefts/Losses:** Philip Chanco and Bill Bush provided copies of all DEA 106 forms allegedly submitted in the past two years to DEA. DI Glaudel examined the DEA 106 forms and found twenty DEA 106 forms that were completed by WALGREENS but not submitted to DEA.

| Date of Loss | Store# -Name of Consignee |
|---|---|
| 1/17/2003 | 3869- 1750 Noriega Street, San Francisco, CA 94122 |
| 1/17/2003 | 2705- 2050 Irving, San Francisco, CA 94122 |



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| Date of Loss | Store# -Name of Consignee |
|---|---|
| 4/3/2003 | 1438- 2501 Waukegan Road, Bannockburn, IL 60015 |
| 4/9/2003 | 7038- 1943 Berryhill Road, Cordova, TN 38016 |
| 4/16/2003 | 4460- Lake Street, Lake Charles, LA 70605 |
| 4/16/2003 | 3373- 2000 Highway 14, Lake Charles, LA 70601 |
| 6/11/2003 | 2919- 1106 N. Martin Luther King Blvd, Lake Charles, LA 70601 |
| 06/11/2003 | 2997- 4460 Lake Street, Lake Charles, LA 70605 |
| 06/11/2003 | 2920- 1021 S. Beglis Parkway, Sulphur, LA 70663 |
| 7/7/2003 | Livingston Healthcare- 1910 Danielson Place, Memphis TN 38114 |
| 10/1/2003 | 4275- 456 Mission Street, San Francisco, CA 94105 |
| 1/22/2004 | Roxane Labs- 900 Ridgebury Road, Ridgefield, CT 06877 |
| 2/17/2004 | 6465- 6697 Stage Road, Bartlett, TN 38134 |
| 2/23/2004 | 3880- 7586 Mountain Creek Pkwy, Dallas TX, 75249 |
| 2/27/2004 | 5013- 2882 S. Maryland Pkwy, Las Vegas, NV 89109 |
| 3/3/2004 | Cardinal Health- 3450 E. Pike, Zanesville, OH 43701 |
| 3/12/2004 | 3958- 4930 Gulfway Drive, Port Arthur, TX 77642 |
| 3/15/2004 | 3839- 3997 Ball Road, Los Alamitos, CA 90720 |
| 7/16/2004 | 7519- 1705 US Hwy 51, Stoughton, WI 53489 |
| 8/5/2004 | 7293- 12 N. Abe Street, San Angelo, TX 76903 |

**Failure to properly file DEA 106 forms is a violation of Title 21 United States Code of Federal Regulations (CFR) 1301.74(c) that states in part:**

"The registrant shall notify the Field Division Office of the Administration in his area of any theft or significant loss of any controlled substances upon discovery of such theft or loss. The supplier shall be responsible for reporting in-transit losses of controlled substances by the common or contract carrier selected pursuant to 1301.74(e), upon discovery of such theft or loss. The registrant shall also complete DEA Form 106 regarding such theft or loss. Thefts must be reported whether or not the controlled substances are subsequently recovered and/or the responsible parties are identified and action taken against them."



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## 6. SECURITY:

The WALGREEN WOODLAND distribution center is located on East Main Street near the intersection of Hanson Way in Woodland, CA. The west side of the facility is bordered by North/South U.S. Interstate 5; there are no freeway exits that connect the freeway directly to the WALGREEN WOODLAND property. The WALGREEN WOODLAND facility is comprised of 352,000 square feet of floor space on 3 levels with approximately 30,000 square feet dedicated to pharmaceuticals in the Rx Room. The Schedule 2 vault and vault cage are located on the bottom level of the Rx Room on the South side of building. The Schedule 3 through 5 caged area is located in the southeast corner of the Rx Room on the 3rd level.

The building is constructed of metal siding and brick on the metal framed structure. The ceiling/roof is constructed of metal panels which are approximately 20 gauge construction. The office area/cafeteria comprise approximately 30,000 sq. feet on 3 levels of the building.

When Schedule II controlled substances arrive at a receiving dock, an unloader fills out a transport form. Before the Schedule II's are transported from the dock to the vault, four (4) members of the controlled substance team verifies the case count on the transport form. The Schedule II's are then placed on a DEA approved rolling cage and transported to the vault receiving area (the drug vault cage) where they are signed for by a manager and stocked on shelves in the vault.

Orders from individual WALGREEN pharmacies are filled by matching the DEA 222 form with WALGREEN'S picking document. Once filled, the controlled substances are transported to an auditing station inside the vault where the product is scanned and verified against the original order. All items in the vault will be inventoried at the end of each business day.

After orders are packed, they will be locked in an approved shipping cage until shipment time. Shipping cages will remain in the drug vault cage until the carrier arrives. Two team members accompany the merchandise from the drug vault cage to the carrier. A manifest of all shipments is retained on site.



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The minimum number of team members allowed to work in the drug vault cage and vault areas at any one time is three (3). All lunches and breaks are adjusted to accommodate this.

During a facility tour with Fernando Barba and Bill Bush, Mr. Bush stated that any Schedule 2 controlled substance deliveries received on the weekend are be stored in the Schedule 3-5 controlled substance cage. DI Glaudel asked why the Schedule 2 deliveries are not locked in the vault per regulations. Mr. Bush responded that the receiving staff on the weekends do not have vault access. DI Glaudel reiterated the policy for storage of a Schedule 2 controlled substance and that all Schedule 2 controlled substances must be stored in an approved vault. **Failure to properly store Schedule II Controlled Substances is a violation of Title 21 United States Code of Federal Regulations (CFR) 1301.72(a)(3) that states in part:**

"Schedules I and II. Raw material, bulk materials awaiting further processing, and finished products which are controlled substances are controlled substances listed in Schedule I or II… shall be stored in one of the following areas… a vault constructed after September 1, 1971…

## Controlled Substance Vault

The West side of the distribution facility is bordered by Interstate 5, and there are no freeway exits that connect the freeway directly to the WALGREEN property. The vault is situated on the West side of the warehouse. It was manufactured and installed by the Custom Vault Corporation, Ridgefield, Connecticut. The modular panel vault is constructed of UL Class M modular panels which were used to create the walls and the ceiling. Each 4' x 10' wall panel weighs 2800 pounds and consists of 4" thick interlocking modular material. The ends and sides of the wall panels are equipped with metal caps which are joined with 3" welds every 12". The 3' x 10' ceiling panels are completely wrapped in steel and also joined with 3" welds every 12". The vault interior measures approximately 60' long x 27' wide x 22' high and has an approximate floor space of 1620 square feet. The metal joints between the panels have been filled with caulking, sealing the entire length of each panel to its adjoining panels.



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The previously existing floor consists of 9" of concrete reinforced with #4 rebar on 24" centers. The concrete floor is covered with 4' x 12' sheets of 1" diamond plate which has 3" welds every 12". Two (2) structural support beams measuring 2'square extend from the floor of the vault through the ceiling of the vault to the ceiling of the facility structure. These beams are located in the center aisle of the vault.

The East wall of the vault has two (2) return vents and three (3) intake vents. There is an additional intake vent in the middle of the ceiling. All vents have been offset to prevent visual or physical access to the vault.

The entrance to the vault is through two doorways located on the North end of the vault. The doors are described as follows:

a) Single, Overly, GSA Class 5 Security Vault Door, Type 114, Style K, Serial #G5-3163, manufactured in 4/99, and measuring approximately 3'8" wide x 6'7" high is situated in the Northeast corner of the vault. The door has three (3) exterior hinges and is utilized for personnel as well and for enabling the Schedule II controlled substances to leave the vault on a conveyor system. The conveyor/personnel door is secured with a Group 1R Security Lock and a magnetic contact.

b) A set of double doors is situated on the Northwest side of the vault. The Overly Class 5 Security Vault Door, Type AR5, Style K, manufactured 3/99, Serial #M5-384, measures 4' wide x 8' high and weighs approximately 2,450 pounds (each side weighs 1,225 pounds). The west side of the double door is equipped with a Group 1R combination security lock and a magnetic contact. The East side of the door has two (2) vertical sliding deadbolt locks and a magnetic contact. Each side of the double door has three (3) exterior hinges. The double doors are primarily used for bringing the palletized Schedule II controlled substances into the vault via a forklift. Inside the double doors is a Wirecrafters, Inc. sliding gate equipped with a magna lock. The sliding gate is neither self-locking nor self-closing. According Philip Chanco, Vault Manager, there will always be at least two (2) persons in the area. Philip Chanco stated that the sliding door will be closed as soon as an authorized employee has entered or exited the vault.



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## Controlled Substance Vault Cage

The area known as the Drug Vault Cage is situated on the West side of the distribution facility, adjoined to and surrounding the vault. The Drug Vault Cage area is only used to temporarily secure the Schedule II Controlled substances when they are being received into or picked from the vault for distribution. Philip Chanco advised that the cage will only be used for temporary storage during the day when employees are present. Schedule II controlled substances will never be stored in the Drug Vault Cage overnight. The Drug Vault Cage is described as follows:

a) The main Drug Vault Cage area is approximately 58' long x 34' wide x 27' high and has approximately 1,972 square feet of floor space. Two (2) structural support beams extend from the floor to the ceiling of the facility. The beams measure 2'square and are located in the center aisle of the main area.

b) The West wall of the Drug Vault Cage is also the exterior wall of the distribution facility and is constructed of concrete block. The remaining walls of the cage are constructed of Wirecrafters, Inc. steel mesh fabric which was installed by Ross Clark, Rancho Cordova, California. It consists of 10 gauge wire fabric with 3/4" x 3/4" square openings welded onto 1 1/4" x 1 1/4" x 1/8" angle iron frame. This creates panels measuring 4' x 10' which are stacked horizontally and mounted on the vertical posts every 10 feet. The 2" square 14 gauge posts span from the floor to the ceiling. The fabric panels are welded to the floor, to the ceiling, and to the concrete block wall via 3/16" steel plate flanges. The floor, which consists of 9" of concrete, is reinforced with single net #4 rebar on 24" centers. All of the Drug Vault Cage bolts are spot welded at the end of the nut to prevent removal. The ceiling consists of 20 gauge corrugated metal panels.

c) Along the West wall of the vault, between the vault and the exterior concrete block wall, is an area designated the sprinkler riser access area. This area is a mandated requirement of the Yolo County Fire Marshall. The area, measuring 8'wide x 27'long x 22' high is enclosed with Wirecrafters steel wire mesh on the North end and on the ceiling. It includes 216 square feet of floor space and primarily houses the fire



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riser. The sprinkler riser area is accessed by a single, metal personnel door equipped with a card reader/scrambler, and a key lock. The wooden framed, self closing, self-locking personnel door is located on the South end of the sprinkler riser access area. The door has a small wire mesh window. The south end of this area surrounding the personnel door is constructed of metal sheeting.

d) Above the vault is a caged area designated the "Space Above the Vault". This area is accessed by a Wirecrafter's steel mesh fabric door located above the vault door. This doorway is key locked.

e) In the Northwest corner of the main cage area is a small caged area known as the Electrical/Alarm Room. This room houses the Cellnet Control panel and the Cellnet antenna which is contained in a tamper proof, key locked metal cabinet. Keys to the Sprinkler-Riser area, the Electrical/Alarm Room, and to the Space above the Vault are limited to authorized personnel and are maintained by Security.

f) Situated about 21' high and along the west wall of the drug cage vault is a catwalk housing a conveyor system. The west wall of the catwalk is concrete block, and the remainder of the catwalk is enclosed in Wirecrafter's steel mesh fabric. The catwalk extends the length of the cage and vault and is 4'3 ½" wide. The conveyor system must be stopped by security before it is possible to enter the area.

g) There are two entrances to the main area of the Drug Vault Cage:

1) A self-closing, self-locking personnel door is located on the North side, near the northeast corner of the Drug Vault Cage. This door, which measures approximately 3' wide x 8' high, is secured by a magnetic contact and by a deadbolt lock with a key opening on the outside and a knob inside. The personnel door is equipped with a card key reader and a scramble pad, both of which must be used for entrance to the cage area. In the event of a power failure, there is a battery back-up of 20 minutes,allowing time for the natural gas powered generator to become operational.



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2) A sliding self-closing, self-locking gate is located on the east side near the northeast corner of the facility. The gate, which measures 8' wide x 11' high is equipped with a magnetic contact, a magna lock, a dead bolt lock in the event of a power outage, and a card reader with a scramble pad. Both the card reader and the scramble pad must be used for entrance to the cage area. The magna lock used in the cage and in the day gate for the vault has a holding force rating of 1300 pounds. In the event of a power failure, there is a battery back-up of 20 minutes, allowing time for the natural gas powered generator to become operational.

All personnel are required to sign in on the "Control Drug Vault Sign in Sheet" before entering the vault. The following employees have access to the Drug Vault Cage and to the Vault:

| Employee Name | Date of Birth | Position |
|---|---|---|
| Phillip Chanco | [redacted] | Management |
| Susan Day | | Team Member |
| William Sorenson | | Team Member |
| Matilde Tauzer | | Team Member |
| Michael Beltrano | | Team Member |
| Ben Chavez | | Team Member |
| John Coman | | Management |
| Steven Fernandez | | Team Member |
| Jill Fields | | Team Member |
| Shirley Hutchison | | Team Member |
| Jeff Moody | | Management |
| Martha Nichols | | Team Member |
| Paramjit Singh | | Team Member |
| Shelia Spence | | Team Member |
| Sherrie Strutton | | Team Member |

The firm contracted with Sacramento Control Systems, 11249 Sunco Drive, #3, Rancho Cordova, California, 95742, Telephone: (916) 638-0788, to install the following alarm components:

a) Vault Area:



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At 9' level:

(3) Magnetic Contacts: Two on Double door; one on Personnel door
(3) Passive Infrared (PIR) Motion Detectors; on South wall/two facing down aisle
(3) PIR's on the North wall
(3) PIR's on the East wall
(0) PIR's on the West wall

At 17'level:

(1) PIR in Northwest corner
(3) PIR's facing South down aisle
(3) PIR's in Northeast corner
(3) PIR's in Southeast corner
(3) PIR's facing North down aisle
(3) PIR's on West Wall

Center Ceiling:

(3) 360's in center aisle

Additional Security

(3) Potter Sound Accumulators on East Wall
(2) Potter Sound Accumulators: One on each vertical column facing the Mezzanine
(15) PIR's above ceiling of vault
(3) Cameras in vault (two on the doors at all times)
(1) Digital keypad with scrambler
(3) Magnetic contacts on doors

b) Caged Areas:

(5) Cameras: Two in cage interior; one in air space outside vault; One in conveyor cat walk; one above cage ceiling
(15) PIR's: In area above vault
(2) 360's in main cage area overlooking the work area



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(8) PIR's in Sprinkler Riser area
(3) Digital keypads with scramblers: one at each entry location.
(19) PIR's in main cage area
(3) Magnetic contacts on doors

**Controlled Substance Cage**

The Schedule 3 through 5 controlled substances are stored in a Wirecrafters Inc. caged area which measures 37 feet wide by 68 feet long and is 21 feet at the highest point which is approximately 2550 sq. feet. The 10 gauge wire mesh fabric with 3/4"x 3/4" square openings is welded onto 1 1/4"x 1 1/4"x 1/8" angle iron frame. This creates panels that are 4'x 10' that are stacked horizontally and mounted on vertical posts every 10 feet. The posts are 2"x 2" square 14 gauge stock which extend to the ceiling/roof of the Rx Room. The posts are secured to the floor via 1/4"x 4"x 4" base plates that are bolted to the floor. All bolt heads and nuts have been welded to prevent removal.

The caged area has 2 separate entrances. One entrance is a sliding gate that measures 10 feet high and 8 feet wide. This gate is positioned on a rail configuration on the northeast corner of the cage. The other entrance is a personal door on the southwest corner of the cage. Both entrances are constructed of the same wire mesh fabric on the entire cage. Both are self-closing and self-locking with an electro magnetic lock. Each lock has a holding force rating of 1800 lbs. In the event of power failure, there is a 12 hour battery back up.

The caged area is situated on the 3rd floor/mezzanine area of the warehouse in the Rx Room. This room measures approximately 30,000 sq. feet and has 2 fire rated personnel doors, 2 roll up doors, one stairway leading to an emergency evacuation door on the bottom floor of the warehouse. There are also 4 convey or belt openings to the warehouse floor and 14 fire/smoke evacuation openings in the ceiling.



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Access is limited to the following individuals:

| Employee Name | Date of Birth | Position |
|---|---|---|
| Juanita Gonzales | [redacted] | Adminstration |
| Dave Gutierrez | | Receiving |
| Larry Haynes | | Management |
| Martin Zermeno | | Receiving |

| Employee Name | Date of Birth | Position |
|---|---|---|
| Dale Best | [redacted] | RX Operations |
| Bill Bush | | Management |
| Phillip Chanco | | Management |
| Sam Colman | | Management |
| John Colman | | Management |
| Alan Findley | | Receiving |
| Irma Fisher | | RX Operations |
| Eloy Garcia | | RX Operations |
| Irene Hayes | | RX Operations |
| Baljit Kaur | | RX |
| Ralph Lopez | | RX Operations |
| Sayda Lopez | | Receiving |
| Martha McKeen | | Management |
| Doug Marich | | Management |
| Jeff Moody | | Management |
| Bill Pixton | | RX Operations |
| Tiffany Palette | | Management |
| Satwant Rai | | RX |
| Mark Stephens | | Management |
| Robert Stewart | | Management |
| Andrew Sot | | RX Operations |
| Rosa Zendejas | | RX Operations |

Controlled substances are moved to and from the caged area in metal security carts, model 85-0611 and 0611CS. These mobile security cages are constructed of 9-gauge 1"x 2" wire grid fabric mounted on 1" square framing. The storage carts measure 26" deep x 44" wide x 79" high. The



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door locks are mounted on the top and bottom of the cart. These caged security carts are not used for overnight storage of controlled substances outside of the caged area. The carts are chained to the support poles in the shipping dock area awaiting shipment.

**a) Caged Area:**

2 Contacts on each entrance (gate and personnel door)
1 goes to the alarm system
1 goes to the guard shack on site at the firm
3 Passive infrared motion detectors positioned in each corner of the caged area approximately 16 feet above the floor
1 pointed east/west along the north and south walls
1 pointed north/south along the east and west walls
1 pointed approximately horizontal over the mid portion of the caged area to cover the ceiling of the cage
1 PIR mounted at the 16 ft height on the east wall pointed westward to cover the middle portion of the cage
1 Tamper proof switch on the master control boxes
2 Digital keypads at each entry location

This system is separate from the Rx Room.

**b) Rx Area:**

1 Contact on the southeast emergency exit door
9 PIRS
1 southeast corner near the caged area
1 southwest corner over the conveyor belt opening
1 west wall of the cage covering the conveyor belt opening
1 west corner of the Rx Room covering the conveyor belt opening
1 north wall of the Rx Room covering the conveyor belt opening
1 contact on each of the 2 personnel doors on the north wall of the Rx Room
1 contact on each of the 2 roll up doors on the east wall of the Rx Room



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The Rx Area is part of the perimeter system for the building. The contacts on the smoke hatches are also part of the perimeter system. All of the entrance openings into the Rx Room and the caged area are protected by card key access readers. The facility is not equipped with hold up buttons.

**c) Rx Receiving Area:**

2 Personnel doors contacted
1 Roll up door contacted
2 Passive infrared detectors covering the conveyor belts
4 Motorola card readers, 2 doors in card-in/card-out configuration
1 Card reader to open roll up doors

**d) Building Perimeter(including office area):**

312 Contacted roof smoke vents
2 Roof hatches with contacts
49 Perimeter man doors with contacts
46 Roll up doors with contacts
9 Glass breakage sensors in 1st floor office area

The above described components are connected to the central station monitor of ADT, 14200 East Expedition Avenue, Aurora, Colorado 80012 (Telephone # (248) 629-3267), via a Telguard T-3100 UL wireless transmission system. This alarm has line integrity protection via multiplex random encryption that polls on the average of every 30 seconds. The maximum time between a random pulse will be less than 6 minutes for a UL rating at AA. The T-3100 UL System is in addition to a telephone dialer circuit.

The above system was tested by DI's Brian Glaudel and Susan Peters on December 2, 2004 with WALGREENS representatives, Mark KENNEY, Bill Bush, and John Coman. All individuals set off the alarm points for the vault and cage to perform a complete test. WALGREENS representatives provided a schematic that detailed the alarm components installed in the controlled substance vault (first floor) and cage area (second floor). WALGREENS representatives provided a printout to verify all alarm points were



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working. The printout verified that the vault alarm points were functioning properly. The printout did not indicate any points in the cage area. It was determined that the cage area schematic was incorrect and the alarm point designations must be out of date. DI Glaudel asked Mark KENNEY why the schematic was not up to date. Mr. KENNEY responded that the Loss Prevention Supervisor had just retired in November 2004 and a new Loss Prevention Supervisor is planning to start January 1, 2005. The Loss Prevention Supervisor is responsible for updating the schematics for the alarm. Investigators were not able to complete the security inspection at that time.

The above described systems were again tested by DI Brian Glaudel along with WALGREENS representatives, Mark KENNEY and Brian Wreschinsky on December 14, 2004. The entire alarm system was found to be functioning properly. The security at this facility meets DEA requirements for a Schedule 2 through 5 distributor.

**e) OTHER SECURITY**

The WALGREENS Human Resources Department conducts pre-employment background checks on all prospective employees. All references are checked. A criminal background check is conducted with ChoicePoint Online via the internet. A pre-employment drug screen is performed on all apllicants prior to employment and conducted for cause on all current employees. If an applicant's drug screen is positive, they are not hired. If a current employee has a drug test for cause they are offered two options:

A) Drug Rehabilitation Program in where the employee consents for random drug testing without cause for a period of five years. The employee is not terminated.
B) Termination from employment

The WALGREENS distribution center has a twelve percent employee turnover per year.



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Urinalysis Collection Site:

Sutter Occupational Health
475 Pioneer Avenue #100
Woodland, CA 95776

Urinalysis Lab:

Quest Diagnostic Labs
7600 Tyrone Avenue
Van Nuys, CA 91405

**7. INTELLIGENCE INFORMATION:**

The firm's personnel stated they had no knowledge of counterfeit drugs or controlled substance diversion.

**8. FOREIGN SUPPLIERS AND CUSTOMERS:**

The firm has no foreign suppliers or customers.

**9. DISCREPANCIES AND DISCUSSION WITH MANAGEMENT:**

The discussion with management has not been conducted. Mark KENNEY was asked to provide a summary of investigative steps taken to resolve their in-transit loss problem. This request has not been completed as of the date of this ROI.

**10. VERIFICATIONS:**

The following controlled substance sales were verified by DI Glaudel on December 3, 2004:

**a)** Walgreen Drug Store
10 East Main Street
Woodland, CA 95695
DEA #BW5471216
Zahra Parsafar, R.Ph.

| Date Shipped | Controlled Substance |
|---|---|
| 11/30/2004 | 3 bottles OxyContin 10mg tab 100 ct. |



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**b)** Walgreen Drug Store
300 University Avenue
Palo Alto, CA
DEA #AW3476973
Dan Torbati, PIC

| Date shipped | Controlled Substance |
|---|---|
| 11/22/04 | 1 bottle OxyContin 10mg tab 100 ct. |
| 11/22/04 | 3 bottles Methylphenidate 10mg 100 ct. |

**c)** Walgreen Drug Store
5020 Madison Avenue
Sacramento, CA
DEA #BW8352041
Jim Robertson, PharmD, PIC

| Date Shipped | Controlled Substance |
|---|---|
| 2 bottles | Oxycodone/APAP 5/325 500 ct. |

**d)** Walgreen Drug Store
2647 Springs Road
Vallejo, CA
DEA #BW2954774
Bob Kramer, R.Ph.

| Date Shipped | Controlled Substance |
|---|---|
| 11/22/04 | 1 bottle Methylphenidate 10mg 100 ct. |

**e)** Walgreen Drug Store
1825 E. Warner Road
Tempe, AZ
DEA #BW0804042
Jeff Zin, PIC

| Date Shipped | Controlled Substance |
|---|---|
| 11/22/04 | 1 bottle Methylphenidate 10mg 100 ct. |



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**f)** Walgreen Drug Store
4331 Antelope Road
Sacramento, CA
DEA #BW7011478
Jim Miller, PIC

| Date Shipped | Controlled Substance |
|---|---|
| 07/23/04 | 2 bottles Norco 10/325 tabs 100 ct. |

**g)** Walgreen Drug Store
1919 Fruitridge Road
Sacramento, CA
DEA #BW5471191
Vathary Chea, R.Ph.

| Date Shipped | Controlled Substance |
|---|---|
| 8/05/04 | 2 bottles Norco 10/325 tabs 100 ct. |

**INDEXING SECTION:**

[redacted]

1. WALGREEN COMPANY; [redacted]

2. KENNEY, Mark [redacted]
Distribution Center Manager for WALGREENS DISTRIBUTION CENTER, 2370 East Main Street, Woodland, CA



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