

U.S. Department of Justice  
Drug Enforcement Administration

## REPORT OF INVESTIGATION

Page 1 of 10

1. Program Code	2. Cross File Related Files <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	3. File No. [REDACTED]	4. G-DEP Identifier
5. By: DI Brian Glaudel At: Sacramento, CA		6. File Title WALGREEN COMPANY 2370 East Main Street Woodland, CA 95776	
7. <input type="checkbox"/> Closed <input type="checkbox"/> Requested Action Completed <input type="checkbox"/> Action Requested By:		8. Date Prepared 03/15/05	
9. Other Officers: DI Joan Harris			
10. Report Re: Scheduled Investigation; Actionable DEA #RW0204026 [REDACTED]			

**SYNOPSIS:**

DEA Diversion Investigators conducted the closing discussion with management in regards to the scheduled investigation. WALGREENS management provided DEA Investigators with a description of the investigative steps taken to resolve in-transit losses experienced by WALGREENS.

**DETAILS:**

1. Reference is made to ROI dated 3/14/2005 documenting the scheduled investigation of the WALGREENS DISTRIBUTION CENTER (WALGREENS), 2370 East Main Street, Woodland, CA 95776. This investigation revealed that WALGREEN 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. Upon conclusion of the scheduled investigation, Investigators requested information from Mark KENNEY, WALGREENS Distribution Center Manager, regarding their investigations about in-transit losses from the distribution center. It should be noted that DI Glaudel and WALGREENS representatives, Mark KENNEY, John COMAN, and Phillip CHANCO, discussed the in-transit losses experienced by WALGREENS and DI Glaudel requested that WALGREENS describe what investigations were conducted in regards to the losses.

11. Distribution: Division [REDACTED]  District  Other [REDACTED]	12. Signature (Agent)  DI Brian Glaudel  14. Approved (Name and Title) Katherine L. Chaney Group Supervisor	13. Date   15. Date
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DEA Form - 6  
(Jul. 1996)

bg

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CCSF v. Purdue Pharma,  
et al. 3:18-CV-7591**WAG-MDL-00052**

Admitted: 07/01/2022

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2. ON 1/11/2005, DI Brian Glaudel received a facsimile from Bill BUSH, WALGREENS Outbound Manager. The facsimile, four pages including the cover page, described the facility claim procedures. Page 1 was an email message from Phillip CHANCO to John COMAN indicating a copy of the message was sent to Mark KENNEY and Bill BUSH. The email indicates that the WALGREENS DC contacts the store to ensure there is a shortage. WALGREENS DC also contacts FEDEX "One Call" to track the shipment and report the loss. FEDEX "One Call" initiates an internal investigation. If FEDEX "One Call" is unsuccessful, WALGREENS contacts FEDEX Loss Prevention to do an investigation. If FEDEX Loss Prevention cannot resolve the loss, a DEA form is completed for the loss.

Also included in the facsimile was a 2-page document titled "Claim Procedures for Jupiter and Woodland C2 Facilities. The document states in part:

"Shortage

1. Store notifies the C2 DC of the shortage.
2. The C2 DC tells the store to notify local WALGREENS Loss Prevention, file a form 106 with the DEA, and file a manual claim form \*(Form 82) with Corporate Transportation.
3. The C2 DC notifies Mark Harris of the shortage.
4. The C2 DC notifies the carrier of the shortage.
5. The carrier performs an investigation and issues a claim number.

Lost shipment:

1. Store notifies the C2 DC of the lost shipment.
2. The C2 notifies Mark Harris in Loss Prevention, and files a form 106 with the DEA.
3. The C2 DC notifies the carrier of the lost shipment.
4. The carrier performs an investigation and issues a claim number.
3. The C2 files a claim against Corporate Transportation for the loss, following the same procedures as a store plus providing us with an account number."

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3. DI Glaudel reviewed the facsimile above and telephoned Mark KENNEY on or about January 6, 2005. DI Glaudel explained to Mr. KENNEY that the facsimile detailed the outline of what to do when a loss is discovered and does not document the investigations conducted to resolve the in-transit losses. DI Glaudel explained that DEA is trying to ascertain what WALGREENS has done to investigate and reduce the number of in-transit losses occurring. Mr. KENNEY indicated that he would need some time to compile the information.

4. On or about January 25, 2005, Mr. KENNEY telephoned DI Glaudel to provide an explanation of WALGREENS actions related to in-transit losses. DI Glaudel requested to see any and all documents that detailed the investigations of the 68 in-transit losses. DI Glaudel requested a meeting to discuss the investigations and conduct the closing discussion with management from the scheduled investigation conducted between the dates of November 30, 2004 through December 14, 2004. DI Glaudel reiterated that Investigators wanted to see any and all paperwork that documented investigative work by WALGREENS to investigate the in-transit losses to include case files, etc..

5. On February 2, 2005, DI Glaudel and DI Joan Harris met with the following WALGREENS representatives:

Mark KENNEY	Distribution Center Manager
Phillip CHANCO	Vault Manager
John COMAN	Operations Manager

DI Glaudel detailed the findings of the scheduled investigation to include the following:

- A) WALGREEN COMPANY stored Schedule 2 controlled substances outside of an approved vault
- B) WALGREEN COMPANY 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.
- C) The audit of the controlled substances revealed no discrepancies for the six (6) controlled substances chosen.

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6. Mark KENNEY responded to the above issues with the following response:

A) WALGREENS is changing their delivery procedure so that Schedule 2 controlled substances are identified at delivery and stored in the Schedule 2 controlled substances vault immediately. Mr. KENNEY stated they would either not receive Schedule 2 shipments on weekends when vault staff were not there or schedule the appropriate staff to work weekends.

B) Mr. KENNEY had no explanation as to why the DEA 106 forms were not mailed to the DEA. The forms were filled out and he was under the impression they were all mailed to the DEA. Mr. KENNEY stated he will ensure that procedures are in place to ensure timely submission. Mr. KENNEY also mentioned that they would most likely be mailing future DEA 106's via certified or registered mail.

7. DI Glaudel detailed the in-transit loss problem to WALGREENS:

**68** total In-Transit losses between the dates of 5/7/02-11/30/04 (31 month period)

2.2 In-Transit losses per month

**20** In-Transit losses not reported to DEA

Analysis per Carrier

Airborne	21
DHL	6
Edge	1
Emery	2
FedEx	2
LTS	1
Roadway	4
UPS	27
Walgreens	3
Misc.	<u>1</u>
	68

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<u>DATE OF LOSS</u>	<u>DATE REPORTED</u>	<u>CARRIER</u>	<u>DEL. LOCATION</u>
5/7/2002	5/21/2002	ROADWAY	BREWSTER, NY
5/11/2002	6/4/2002	UPS	6370- BEAVERTON, OR
5/16/2002	6/4/2002	UPS	6370- BEAVERTON, OR
6/20/2002	UNK	UPS	5183- CORONA, CA
7/1/2002	7/25/2002	EMERY	BREWSTER, NY
7/11/2002	8/1/2002	UPS	6103- VANCOUVER, WA
7/26/2002	8/1/2002	UPS	2206- MACOMB, IL
9/16/2002	10/8/2002	UPS	863- SAN JOSE, CA
9/20/2002	10/8/2002	UPS	5654- MEMPHIS, TN
9/23/2002	10/8/2002	UPS	3134- MARSHFIELD, WI
9/30/2002	10/22/2002	UPS	863- SAN JOSE, CA
10/21/2002	11/11/2002	UPS	863- SAN JOSE, CA
10/31/2002	11/21/2002	UPS	2739- SAN JOSE, CA
11/13/2002	2/20/2003	UPS	3420- GALVESTON, TX
11/27/2002	1/6/2002	AIRBORNE	3445- SAN JOSE, CA
12/23/2002	1/8/2003	ROADWAY	GAINESVILLE, OH
<b>1/17/2003</b>	<b>NA</b>	<b>WALGREENS</b>	<b>3869-SAN FRANCISCO, CA</b>
<b>1/17/2003</b>	<b>NA</b>	<b>WALGREENS</b>	<b>2705- SAN FRANCISCO, CA</b>
1/20/2003	1/23/2003	ROADWAY	GAINESVILLE, OH
1/28/2003	2/20/2003	UPS	7006- LOUISVILLE, KY
2/3/2003	2/20/2003	AIRBORNE	2891- MEMPHIS, TN
2/6/2003	2/20/2003	N/A	
2/27/2003	3/31/2003	AIRBORNE	6341- BARTLETT, TN
<b>4/8/2003</b>	<b>NA</b>	<b>UPS</b>	<b>BANNOCKBURN, IL</b>
<b>4/9/2003</b>	<b>NA</b>	<b>AIRBORNE</b>	<b>CORDOVA, TN</b>
<b>4/16/2003</b>	<b>NA</b>	<b>AIRBORNE</b>	<b>LAKE CHARLES, LA</b>
<b>4/16/2003</b>	<b>NA</b>	<b>AIRBORNE</b>	<b>LAKE CHARLES, LA</b>
<b>6/11/2003</b>	<b>NA</b>	<b>AIRBORNE</b>	<b>SULPHUR, LA</b>
<b>6/11/2003</b>	<b>NA</b>	<b>AIRBORNE</b>	<b>LAKE CHARLES, LA</b>
<b>6/11/2003</b>	<b>NA</b>	<b>AIRBORNE</b>	<b>LAKE CHARLES, LA</b>
6/23/2003	7/28/2003	UPS	3749- WAUKEGAN, IL
<b>7/7/2003</b>	<b>NA</b>	<b>EMERY</b>	<b>MEMPHIS, TN</b>
<b>10/1/2003</b>	<b>NA</b>	<b>UPS</b>	<b>SAN FRANCISCO, CA</b>
10/22/2003	11/19/2003	AIRBORNE	2997- LAKE CHARLES, LA
10/22/2003	11/19/2003	AIRBORNE	2919- LAKE CHARLES, LA
10/23/2003	11/19/2003	AIRBORNE	5373- LAKE CHARLES, LA
11/6/2003	12/18/2003	AIRBORNE	3699- MEMPHIS, TN
11/20/2003	12/18/2003	AIRBORNE	5705- COLLIERVILLE, TN
12/1/2003	12/18/2003	AIRBORNE	2775- MEMPHIS, TN
12/4/2003	12/18/2003	AIRBORNE	1762- MEMPHIS, TN

DEA Form - 6a  
(Jul. 1996)

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12/18/2003	1/2/2004	AIRBORNE	3699- MEMPHIS, TN
12/23/2003	1/23/2004	UPS	3342- CEDAR PARK, TX
12/30/2003	1/23/2004	UPS	5628- HAMMOND, IN
12/31/2003	1/23/2004	UPS	4137- LAS VEGAS, NV
1/6/2004	1/23/2004	AIRBORNE	7613- MEMPHIS, TN
1/8/2004	1/23/2004	AIRBORNE	433- GERMANTOWN, TN
1/15/2004	1/23/2004	AIRBORNE	433- GERMANTOWN, TN
1/15/2004	1/23/2004	AIRBORNE	3671- MILPITAS, CA
<b>1/16/2004</b>	<b>NA</b>	<b>FEDEX</b>	<b>STOUGHTON, WI</b>
1/22/2004	2/20/2004	UPS	5143- OMAHA, NE
<b>1/22/2004</b>	<b>NA</b>	<b>ROADWAY</b>	<b>RIDGEFIELD, CT</b>
<b>2/17/2004</b>	<b>NA</b>	<b>UPS</b>	<b>BARTLETT, TN</b>
<b>2/23/2004</b>	<b>NA</b>	<b>UPS</b>	<b>DALLAS, TX</b>
<b>2/27/2004</b>	<b>NA</b>	<b>UPS</b>	<b>LAS VEGAS, NV</b>
2/29/2004	3/9/2004	LTS	UNK
<b>3/3/2004</b>	<b>NA</b>	<b>UPS</b>	<b>ZANESVILLE, OH</b>
<b>3/12/2004</b>	<b>NA</b>	<b>DHL</b>	<b>PORT ARTHUR, TX</b>
<b>3/15/2004</b>	<b>NA</b>	<b>UPS</b>	<b>LOS ALAMITOS, CA</b>
3/22/2004	5/6/2004	EDGE LOG	UNKNOWN
4/1/2004	4/12/2004	DHL	593- MEMPHIS, TN
4/1/2004	4/12/2004	DHL	593-MEMPHIS, TN
4/6/2004	4/22/2004	DHL	6484- HOUSTON, TX
4/6/2004	4/21/2004	UPS	6565- BARTLETT, TN
4/6/2004	4/21/2004	DHL	6465-BARTLETT, TN
4/6/2004	4/22/2004	DHL	6484-HOUSTON, TX
8/3/2004	9/7/2004	Wal Fleet	Seaside, CA
<b>8/5/2004</b>	<b>NA</b>	<b>FEDEX</b>	<b>SAN ANGELO, TX</b>
9/22/2004	9/30/2004	UPS	FLORENCE, KY

Items in **bold** were not reported to DEA.

8. Mr. KENNEY stated that he had some paperwork that details the investigations conducted to date and that each and every loss was investigated.

Mr. KENNEY provided the following documents to demonstrate the investigations conducted by WALGREEN to address the in-transit loss problems.

- A) Untitled form indicating Loss Prevention investigation steps
- B) CII Action List

DEA Form - 6a  
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C) "Woodland CII Problem Log Fiscal 2003" excel spreadsheet

D) "Woodland CII Problem Log Fiscal 2004" excel spreadsheet

The Untitled form indicating Loss Prevention investigation steps detailed in part:

"The following procedures or investigative steps are listed here to assist the LPS's in completing an investigation into an entire missing or partial CII shipment. The order in which they are listed is not the particular order they should be completed, but a list to be used as a checklist. Any local guidelines should be included and followed.

Once notified about a missing shipment by either the store or by the Distribution Center, the LPS should initiate an investigation by completing these steps:

1. Visit the store
2. Examine the box the shipment was shipped in.
3. Review store's receiving procedures.
4. Interview store's receiving personnel.
5. At the store conduct an audit (on hand inventory) of missing CII's
6. Contact Jupiter... or Woodland... to determine if missing CII's have turned up in either Jupiter/Woodland or at another store.
7. Contact the carrier's Loss Prevention and coordinate the investigative activity. If you are experiencing problems contacting one of the carriers then send an email to the below mentioned individuals and CC me with your request. As a last resort, they may be contacted by phone.
  - (contacts for FedEx, UPS and Airborne Express listed)
8. Contact local law enforcement and inform them of the missing shipment or items. E-mail Erik Weisensel when police (for entire shipment only) are notified so Jupiter/Woodland can annotate on 106 if they are filling out the 106.
9. Complete an inquiry report.

Note: If an entire shipment fails to arrive at the store Jupiter/Woodland will prepare the 106. If a partial shipment arrives at the store, the Store/RX Supervisor will need to prepare the 106, and claim. It is not

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the LPS's job to complete the 106, however it will prevent potential problems in the future if we remind the RX Supervisor/RXM to prepare the 106."

- It should be noted that CII indicates a Schedule 2 controlled substance and LP indicates Loss Prevention.

The CII Action List detailed in part:

"10/22/01 - Revised labeling on CII by make it more difficult to identify drugs. Added second layer of colored tape to aid tamper detection.

10/29/01- Started monthly meetings with Walgreens LP and USPS LP. Kick off meeting with DEA.

03/2002- UPS makes major bust at Cincinnati hub.

07/2002- Confirmed UPS and LP working together share information on losses.

09/2002- Switch our districts to Airborne due to problem areas.

12/2002- Switched tape- can not be cut without detection.

03/2003- Worked with UPS to set up hub by sending "salted" packages

04/2003- Sting was successful. 2 arrested. (Notation written by DI Glaudel "St. Louis")

08/2003- Worked with Airborne to salt packages headed for L.A.

05/2004- Switched all transportation to Fed Ex

08/2004- Worked with Fed Ex to salt packages in IN (Notation written by DI Glaudel "Indianapolis")

Results:

FY 2003- 18 loss



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FY 2004- 24 (only 3 with Fed Ex)

FY 2005- 00"

The Woodland CII Problem Log 2003 and Woodland CII Problem Log 2004 is an excel spreadsheet detailing losses. The spreadsheet did not include all the in-transit losses suffered by WALGREENS.

10. On March 9, 2005, the DEA Sacramento DO received an additional six DEA 106 forms from WALGREENS:

<u>DATE REPORTED</u>	<u>CARRIER</u>	<u>DEL. LOCATION</u>	<u>TOTAL C/S LOSS</u>
3/9/2005	DHL	7722- HOUSTON, TX	4X100
3/9/2005	FEDEX	3360- BAKERSFIELD, CA	4x100
3/9/2005	FEDEX	3222- BAKERSFIELD, CA	6x100
3/9/2005	FEDEX	7909- BAKERSFIELD, CA	2X100
3/9/2005	FEDEX	7909- BAKERSFIELD, CA	4X100
3/9/2005	FEDEX	6756- BAKERSFIELD, CA	8X100

WALGREENS included a letter dated March 4, 2005 attached to the DEA 106 forms submitted from Philip CHANCO. The letter indicated that FEDEX Loss Prevention conducted an investigation into the Bakersfield, CA thefts that resulted in five FEDEX employees being terminated and an arrest.

11. The following table represents an approximate amount of controlled substances (dosage units) lost in-transit by WALGREENS:

Date of Loss range: 5/7/2002 - 9/22/2004

(Range includes DEA 106's up to the date of the scheduled investigation)

Schedule 2 controlled substances **151,600**

Schedule 3 controlled substances 2,200

Schedule 4 controlled substances 1,300

Date range: 9/23/2004 - 3/16/2005

(Range includes DEA 106's after the date of the scheduled investigation)

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Schedule 2 controlled substances 2,800

12. This report was written to document the above listed details.

**ATTACHMENTS:**

1. Untitled form indicating Loss Prevention investigation steps
2. CII Action List
3. "Woodland CII Problem Log Fiscal 2003" excel spreadsheet
4. "Woodland CII Problem Log Fiscal 2004" excel spreadsheet
5. Six DEA 106 forms submitted by WALGREENS including cover letters
6. Four page facsimile from Bill BUSH dated 1/11/2005 detailing facility claim procedures

**INDEXING SECTION:**

1. WALGREEN COMPANY; [REDACTED]
2. KENNEY, Mark [REDACTED]
3. BUSH, Bill [REDACTED]  
[REDACTED]  
Outbound Center Manager for WALGREENS DISTRIBUTION CENTER, 2370 East Main Street, Woodland, CA
4. CHANCO, Philip [REDACTED]  
[REDACTED]  
Vault Manager for WALGREENS DISTRIBUTION CENTER, 2370 East Main Street, Woodland, CA
5. COMAN, John [REDACTED]  
[REDACTED]  
Operations Manager for WALGREENS DISTRIBUTION CENTER, 2370 East Main Street, Woodland, CA