

U.S. Department of Justice
Drug Enforcement Administration**REPORT OF INVESTIGATION**

Page 1 of 22

1. Program Code	2. Cross File <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Related Files	3. File No. [REDACTED]	4. G-DEP Identifier
5. By: SI Brian Glaudel At: Sacramento, CA			6. File Title WALGREEN COMPANY	
7. <input type="checkbox"/> Closed <input type="checkbox"/> Requested Action Completed <input type="checkbox"/> Action Requested By:			8. Date Prepared 6/12/2009	
9. Other Officers: DI Mark Jackson				
10. Report Re: Scheduled Investigation - Actionable DEA #RW0204026 [REDACTED]				

SYNOPSIS:

This scheduled accountability investigation of the Woodland, CA location of WALGREEN COMPANY was initiated on 6/2/2009 and concluded on 6/8/2009. The Investigators were on-site the dates of June 2, 3, 4, and 8. This investigation was conducted in accordance with the FY2009 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. The audit of the controlled substances revealed small discrepancies for the five of the eight controlled substances chosen. WALGREEN COMPANY received a shipment and determined the shipment was short 1 bottle of Promethazine with Codeine, 16 oz, Item# 682586, and did not properly complete a DEA 106 form to document the shortage.

A Letter of Admonition will be prepared in the near future to address the above mentioned items.

11. Distribution: Division [REDACTED] District Other [REDACTED]	12. Signature (Agent) SI Brian Glaudel 14. Approved (Name and Title) Penny R. Korte Group Supervisor	13. Date 15. Date
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CCSF v. Purdue Pharma,
et al. 3:18-CV-7591**WAG-MDL-00125**

Admitted: 06/08/2022

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 2 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

ENCLOSURE PAGE

1. Notice of Inspection (DEA Form 82)
2. Closing Inventory dated 6/2/2009 (COB), 2 pages
3. Computation Chart, 2 pages
4. WALGREEN COMPANY Inc. Organizational Chart
5. List of State licenses for Wholesale Drug Permits for WALGREENS DC
6. List of Schedule 2 Vault authorized employees
7. List of Schedule 3-5 Cage authorized employees
8. WALGREEN COMPANY Woodland DC Pharmacy Exemptee License List
9. Account Request printout documenting shortage of one bottle of Promethazine with Codeine, 16 oz, Item# 682586 dated 3/22/2009

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 3 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

1. BASIS FOR INVESTIGATION:

This investigation was initiated in accordance with the FY2009 Work-Plan for the San Francisco Field Division, Sacramento District Office. WALGREEN COMPANY (WALGREEN' S) 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 eight (8) controlled substances to audit based on their potential for diversion in the area.

2. BACKGROUND INFORMATION:

WALGREEN' S 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:

Alan G. McNally	Chairman of the Board
Gregory D. Wasson	President, CEO
Mark A. Wagner	Executive VP of Operations
Wade D. Miquelon	CFO
J. Randolph Lewis	Senior VP of Supply Chain
Dan M. Coughlin	Regional VP of Distribution (West)

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

Berkeley, IL	Jupiter, FL
Flagstaff, AZ	Lehigh Valley, PA
Anderson, SC	Moreno Valley, PA
Mt. Vernon, IL	Perrysburg, OH
Orlando, FL	Waxahachie, TX

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 4 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

Valparaiso, IN Puerto Rico
Windsor, WI Windsor, CT

WALGREEN'S WOODLAND is authorized to handle controlled substances by numerous state agencies:

- a)** California Board of Pharmacy
Wholesale Drug Distributor License #WLS 2964
Expiration date 04/01/2010
- See Attachment 5 for complete list

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. WALGREEN'S DC has a number of exemptee's, see Attachment 8 for details.

- b)** Drug Enforcement Administration
DEA #RW0204026
Schedule 2 through 5 Distributor
Expiration date 05/31/2010

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

The telephone number for the firm is (530)406-7700. 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 WALGREEN'S facility only delivers Schedules 3 through 5 controlled substances). This location also services over 2600 WALGREEN'S Pharmacies throughout the Western United States (the WALGREEN'S facility delivers only Schedules 2 controlled substances). WALGREEN'S

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REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 5 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

representatives estimated controlled substance sales to be 1% of their total volume.

Query of the [REDACTED] system revealed that WALGREEN'S was issued NADDIS #3863835. Further query and review of the files in the Sacramento District Office revealed the following:

[REDACTED] This Scheduled Investigation for FY2005 resulted in a Letter of Admonition for improper storage of controlled substances and failing to submit theft or loss reports in a timely manner.

[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 twelve (12) 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 cage at the WALGREEN'S distribution facility.

[REDACTED] The first accountability investigation of the Woodland, CA location of WALGREEN'S 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 six (6) substances chosen.

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

[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.

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 6 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

3. PERSONS INTERVIEWED AND INDIVIDUAL RESPONSIBILITY:

On 6/2/2009, Senior Investigator Brian Glaudel and Diversion Investigator Mark Jackson presented credentials and a Notice of Inspection (DEA Form 82) to John COMAN, Distribution Center Manager, who signed the Notice of Inspection. Mr. COMAN was advised of his rights as per 21 CFR 1316.08, Consent to Inspection. Mr. COMAN was given a copy of the Notice of Inspection. Mr. COMAN has overall responsibility for recordkeeping and security. Also present during the interview was Mark GADDIS (Operations Manager), and Joe Ferry (Controlled Substance Vault Manager). All provided the Investigators with requested information during the course of the investigation.

The WALGREEN's management team consists of the following:

<u>Name</u>	<u>Position</u>	<u>DOB</u>
John COMAN	DC Manager	[REDACTED]
Marc Gaddis	Operations Manager	
Shawna Compton	Human Resources Mgr.	
Mark Stephens	Outbound Mgr.	
Fernando Barba	Inbound Manager	
Joe Ferry	Sch 2 Vault Manager	

Mr. COMAN is responsible for the day to day operations of the WALGREEN'S facility.

4. SCOPE OF INVESTIGATION:

The on site investigation was conducted during normal business hours from 6/2/2009 - 6/8/2009. The controlled substance accountability period extended from 5/15/2008 (COB) through 6/2/2009 (COB) for Schedule 2 controlled substances. The controlled substance accountability period extended from 6/3/2008 (COB) through 6/2/2009 (COB) for Schedule 3-5 controlled substances. The following controlled substances were selected for accountability based on the quantities handled and potential for abuse. The audit results are as follows:

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 7 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

Controlled Substance

Variance

OxyContin 80mg tab, 100 ct. (Sch. 2)	0
Morphine Sulfate 30 mg, 100 ct. (Sch. 2)	0
Hydrocodone 5/500 tab, 500 ct. (Sch. 3)	-1 (.00095%)
Hydrocodone 10/325 tab, 500 ct. (Sch. 3)	-1 (.00144%)
Suboxone 8-2 mg tab, 30 ct. (Sch. 3)	12 (.03531%)
Zolpidem 10 mg tab, 100 ct. (Sch. 4)	0
Clonazepam .5 mg tab, 500 ct. (Sch. 4)	0
Promethazine VC Codeine Syrup 16 oz. (Sch. 5)	-4 (.00665)

5. RECORD KEEPING:

a) Initial Inventory: The firm took a full physical inventory on 5/15/2008 (COB) of all Schedule 2 controlled substances. The firm took a full physical inventory on 6/3/2004 (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 6/2/2009 (COB), SI Glaudel and DI Jackson with the assistance of Joe Ferry (Vault Manager) took an inventory with a physical count of all controlled substances to be audited.

c) Biennial Inventory: The firm took a biennial inventory on 1/2/2009 as required by 21 CFR 1304.13.

d) Receiving Records: The receiving information for the Schedule 2 controlled substances was obtained from the WALGREEN'S computer system.

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'S DC.

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

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 8 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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 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's facility.

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REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 9 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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'S 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 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.

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 10 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

f) Records of Returned or Damaged Goods: All returns to vendors from the WALGREEN' S 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' S 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 6/3/2009, SI Glaudel contacted the ARCOS Unit and verified that the firm reports monthly electronically.

h) Thefts/Losses: Joe Ferry provided copies of all DEA 106 forms submitted in the past two years to DEA. DI Glaudel examined the DEA 106 forms.

6. SECURITY:

The WALGREEN' S 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' S property. The WALGREEN' S 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

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REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 11 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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's 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.

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.

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's 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

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REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 12 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

panel to its adjoining panels. 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.

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 13 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

Controlled Substance 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. 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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REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 14 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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 locked with a key.

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) A catwalk is situated about 21' high and along the west wall of the drug cage vault 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 1/2" 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.

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 15 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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. Refer to Attachment 6 for a list of personnel with access.

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:
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

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 16 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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
- (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 extends 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.

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 17 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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.

Refer to Attachment 7 for list of employees with access to the Schedule 3-5 controlled substance cage:

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 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

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 18 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

- 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

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

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 19 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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 Mark Jackson with David Yawn, Asset Protection Function Manager. The individuals set off the alarm points for the vault and cage to perform a complete test. WALGREEN'S 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 working. The printout verified that the vault alarm points were functioning properly.

e) OTHER SECURITY

The WALGREEN'S 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 applicants 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:

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 20 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

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 WALGREEN' S Distribution Center has a twelve percent employee turnover per year.

Urinalysis Collection Site:	Urinalysis Lab:
Sutter Occupational Health 475 Pioneer Avenue #100 Woodland, CA 95776	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:

Investigators discussed the audit results with John COMAN, DC Manager. The audit of the controlled substances revealed small discrepancies for the five of the eight controlled substances chosen. Mr. COMAN stated they would be implementing policies and updating their recordkeeping system so that adjustments to inventory reflect in the database for dispensations (sales). Investigators also discussed an incident where WALGREEN' S DC received a shipment and determined the shipment was short 1 bottle of Promethazine with Codeine, 16 oz, Item# 682586. WALGREEN' S DC staff did not properly complete a DEA 106 form to document the shortage since the shipment was physically received.

10. VERIFICATIONS:

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 21 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

The following controlled substance sales were verified by SI Glaudel on 6/17/2009:

Store Address: 2600 Mowry Avenue, Fremont, CA
Date of Shipment: 1/16/2009
Product: OxyContin 80 mg tablets, 100 ct.
Amount: 4 Bottles
Store Representative: R.Ph. Ben Tran

Store Address: 4316 6th Street, Tacoma, WA
Date of Shipment: 6/5/2008
Product: Promethazine W/ Codeine Cough Syrup, 16 oz.
Amount: 1 Bottle
Store Representative: PIC Charley To

Store Address: 320 Bay Street, San Francisco, CA
Date of Shipment: 6/4/2008
Product: Hydrocodone 5/500 tablets, 500 ct.
Amount: 2 Bottles
Store Representative: PIC Tina LNU

Store Address: 1524 Polk Street, San Francisco, CA
Date of Shipment: 6/4/2008
Product: Clonazepam 0.5 mg tablets, 500 ct.
Amount: 2 Bottles
Store Representative: PIC (Name Unknown)

Store Address: 2005 W. Court Street, Pasco, WA
Date of Shipment: 6/4/2008
Product: Hydrocodone tablets 10/325, 500 ct.
Amount: 1 Bottle
Store Representative: R.Ph. Ashley Black

Store Address: 3263 N. Eagle Road, Meridian, ID

DEA Form - 6a
(Jul. 1996)

DEA SENSITIVE
Drug Enforcement Administration

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Previous edition dated 8/94 may be used.

REPORT OF INVESTIGATION <i>(Continuation)</i>	1. File No. [REDACTED]	2. G-DEP Identifier
	3. File Title WALGREEN COMPANY	
4. Page 22 of 22		
5. Program Code	6. Date Prepared 6/12/2009	

Date of Shipment: 6/4/2009
Product: Zolpidem 10 mg tablets, 100 ct.
Amount: 1 Bottle
Store Representative: Pharmacy Manager Rose LNU

Store Address: 3495 South Virginia, Reno, NV
Date of Shipment: 6/4/2009
Product: Suboxone 8-2 mg, 30 tablets
Amount: 6 Bottles
Store Representative: R.Ph. Clara Cendana

Store Address: 3931 Alemany Boulevard, San Francisco, CA
Date of Shipment: 6/2/2009
Product: Morphine Sulfate 15 mg tablets, 100 ct.
Amount: 6 Bottles
Store Representative: PIC (Name Unknown)

Store Address: 22320 Meridian Street, Graham, WA
Date of Shipment: 6/11/2008
Product: Suboxone 8-2 mg tablets, 30 count
Amount: 1 Bottle
Store Representative: R.Ph. Maria Manio

INDEXING SECTION:

1. WALGREEN COMPANY [REDACTED]
Remarks: Recordkeeping deficiencies found during FY2009 Scheduled Investigation.

2. COMAN, Mark [REDACTED]
Remarks: Distribution Center Manager for WALGREEN COMPANY, [REDACTED]