

REPORT OF INVESTIGATION

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1. Program Code	2. Cross File Related Files	3. File No. [REDACTED]	4. G-DEP Identifier
By: Matsantonis, George J DI At: ST. LOUIS DO	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	6. File Title Walgreen Co	
7. <input type="checkbox"/> Closed <input type="checkbox"/> Requested Action Completed <input type="checkbox"/> Action Requested By:		8. Date Prepared 09-09-2010	
9. Other Officers: DI Bill Stockmann & DI Joe Myers			
10. Report Re: Scheduled Regulatory Investigation of WALGREEN CO., 5100 Lake Terrace, Mount Vernon IL, DEA Registration RW0152467. [REDACTED]			

**SYNOPSIS**

This regulatory investigation was conducted in accordance with the St. Louis DO Diversion Work Plan for FY 2010. This is the fourth regulatory investigation for DEA Registration RW0152467.

The WALGREEN CO. Mount Vernon Distribution Center is registered with DEA at 5100 Lake Terrace, Mount Vernon, IL 62864, telephone number 618-244-9100, as a distributor of schedules III-V controlled substances under DEA Registration RW0152467.

A security test of the F.E. Moran Inc electronic security system was conducted on September 7, 2010 and all zones tested as functioning properly.

A controlled substance accountability was conducted for Hydrocodone 10/325, Hydrocodone 10/650, Vicodin ES 7.5/750, Alprazolam 0.5, Phentermine 37.5, and Lyrica 75.0. The audit revealed no discrepancies. All reviewed records were compliant under the Federal Codes of Regulations.

No violations were discovered during this scheduled investigation, this case is closed.

11. Distribution: Division	12. Signature (Agent) Matsantonis, George J	13. Date 09-16-2010
District	14. Approved (Name and Title) Kleissle, Paul D GS	15. Date 09-17-2010
Other		

DEA Form - 6  
(Jul. 1996)

DEA SENSITIVE  
Drug Enforcement Administration

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CCSF v. Purdue Pharma,  
et al. 3:18-CV-7591  
**WAG-MDL-00181**  
Admitted: 06/08/2022

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**ENCLOSURES**

1. Licenses
2. Articles of Incorporation
3. Corporate Officers
4. Notice of Inspection, DEA Form 82
5. List of Controlled Substances on Location
6. Computation Chart
7. Copy of Biennial Inventory
8. Closing Inventory
9. Receiving Record
10. Supplier List
11. Customer List
12. ARCOS Reportable Controlled Substance Inventory
13. Facility Floor Plan
14. Quarterly Alarm Testing Results
15. Regulatory Security Alarm Testing Results
16. Controlled Substance Cage Diagram
17. Employee List with Access to Controlled Substances
18. Common Carrier Information

DEA Form - 6a  
(Jul. 1996)

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19. Reasonable Suspicion Observation Checklist

20. DEA Employee Screening Policy

21. Pre-Employment Screening Procedures

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### **BASIS FOR INVESTIGATION**

This investigation was initiated in accordance with the St. Louis DO Diversion Work Plan for FY 2010. **WALGREEN CO.** in Mount Vernon, Illinois and is registered with the DEA as a distributor of schedules III - V controlled substances.

### **SUBJECT FIRM'S BACKGROUND**

1. The Mount Vernon Distribution Center for WALGREEN CO. is registered with the DEA at 5100 Lake Terrace NE, Mount Vernon, Illinois 62864, telephone number 618-244-9100, as a distributor of schedules III - V controlled substances under DEA Registration RW0152467, expiring on 05-31-2011.
2. WALGREEN CO. was originally registered with the DEA on June 5, 1990 and is one of eleven distribution centers supplying WALGREEN CO. drug stores with pharmaceuticals and other merchandise. States covered for controlled substances shipments from this distribution center are Illinois, Missouri, Iowa, Ohio, Alabama, Louisiana, Arkansas, Mississippi, Kentucky, Tennessee, Indiana, South Carolina, Texas, Kansas, and Georgia (Attachment 1). This center has 1511 employees on rotating shifts operating twenty-four hours a day, six days a week. Distribution Center Manager **Bill BUSH** stated that approximately 6% of the firms total business deals with controlled substances.
3. The distribution center is registered with the State of Illinois as a drug distributor under No. 004-000104, expiring 12-31-2010, and as a controlled substance handler in schedules III through V under license #304-000065, expiring 12-31-2010.
4. WALGREEN CO. was incorporated in 1909 in the State of Illinois for the purpose of manufacturing, compounding, buying, selling and generally dealing in drugs, medicines, chemicals and druggists' sundries of all kinds at wholesale and retail together with all goods, wares and merchandise (Attachment 2). Ownership is offered as common stock on the New York Stock Exchange. Corporate headquarters is located at 200 Wilmot Road, Deerfield, Illinois 60015.

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5. The following is a list of corporate officers (Attachment 3):

<u>Name</u>	<u>Title</u>
Alan G. McNally	Chairman
Gregory D. Wasson	President and CEO
Mark A. Wagner	Operations and Community Management
Wade D. Miquelon	Chief Financial Officer
Kermit R. Crawford	Pharmacy
Dana I. Green	Corporate Secretary
Sona Chawla	E-Commerce
Donald C. Huonker	Healthcare Innovation
J. Randolph Lewis	Supply Chain Management
Hal F. Rosenbluth	Health and Wellness
Timothy J. Theriault	Chief Information Officer
Kathleen Wilson-Thompson	Chief Human Resources Officer
Bruce R. Bryant	VP of West Region
Thomas J. Connolly	Facilities Development
Kimberly L. Feil	Chief Marketing Officer
Chuck Greener	Corporate Affairs and Communications
W. Bryan Pugh	Merchandising
Mia M. Scholz	Chief Accounting Officer
John W. Spina	Retail Integration
Colins Watts	Chief Innovation Officer
Denise K. Wong	Information Technology
Robert G. Zimmerman	Corporate Development
Christopher Domzalski	General Auditor
Jason M. Dubinsky	Treasurer

A NADDIS check on the referenced individuals revealed no derogatory information.

6. The first regulatory investigation at the Mount Vernon Distribution Center was under case file [REDACTED] conducted in August 1992. Discrepancies included failure to maintain controlled substance records separately or otherwise make them readily retrievable; failure to reflect the strength of each finished form of controlled

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substance; failure to reflect the actual date the controlled substances were actually distributed; failure to make and keep the required initial inventory; failure to keep the electronic security system in proper working order; failure to report the actual quantity of controlled substances on hand as of 12-31-1991 to ARCOS; failure to report to ARCOS correct and accurate reductions and additions to inventory; failure to notify DEA of its intent to maintain records at a central location. As a result, an administrative hearing was held on 7-20-1993, followed by a Memorandum of Understanding.

7. The second regulatory investigation was under case file [REDACTED] conducted in May of 1999. Discrepancies included restraining the sliding gate in the controlled substances storage cage during the transport of the wheeled cages to the shipping area; failure to completely fill out the DEA Form 106, Report of Theft or Loss of Controlled Substances; failure for the physical security system to transmit a signal directly to a central station protection agency. As a result, a Letter of Admonition was sent to the WALGREEN CO. Mount Vernon Distribution Center dated 6-15-1999.
8. The third and last regulatory investigation for WALGREEN CO. in Mount Vernon, IL was under case file [REDACTED] conducted in April 2005. The investigation revealed no security or recordkeeping discrepancies.

#### **INDIVIDUALS INTERVIEWED AND PERSONAL RESPONSIBILITIES**

1. On September 7, 2010 DI George Matsantonis, DI Bill Stockmann, and DI Joe Myers traveled to WALGREEN CO. located at 5100 Lake Terrace, Mount Vernon, IL and presented their DEA credentials and a Notice of Inspection to Distribution Center Manager Bill BUSH. Mr. BUSH acknowledged understanding and signed the Notice of Inspection. Mr. BUSH and received a signed copy for his records (Attachment 4). Also present during the meeting was Administration and Systems Training Manager Maurya GILL.
2. Mr. BUSH is the individual responsible for controlled substance records. Ms. GILL was responsible for providing the majority of all requested documents.

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### SCOPE OF INVESTIGATION

1. The on-site portion of this investigation was initiated on September 7, 2010 and concluded on September 8, 2010.
2. The controlled substance audit period extended from June 1, 2010 close of business through September 7, 2010 close of business. The firm's weekly physical count on June 1, 2010 close of business was used as the initial inventory date for ARCOS and non-ARCOS reportable controlled substances. Ms. GILL provided DI Matsantonis with a complete list of controlled substances currently on location (Attachment 5).
3. The controlled substances selected for the audit are as follows:

<u>Controlled Substance</u>	<u>Strength (mg)</u>	<u>Size</u>	<u>Schedule</u>
Hydrocodone	10 / 325	500 ct.	III
Hydrocodone	10 / 650	100 ct.	III
Vicodin ES	7.5 / 750	100 ct.	III
Alprazolam	0.5	1000 ct.	IV
Phentermine	37.5	100 ct.	IV
Lyrica	75.0	90 ct.	V

4. The controlled substance accountability audit revealed no discrepancies (Attachment 6). Audited controlled substances were selected based on the popularity of abuse in the local area and the volume of movement into and out of the WALGREEN CO. distribution center. Records used in this audit included computerized receiving records labeled "Controlled Item Receipts" and computerized shipping records labeled "Control Drug Shipments by Item Report". The reports were itemized by drug name and drug item number. The receiving records included the supplier's store name, store number, address and DEA number. The receiving report then listed the name of the controlled substance, the report period, the date received and approved, the amount ordered and received, the purchase order number, the freight bill and the carrier. The shipment report included the

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customer's DEA number, store number, name and address, how much was shipped, and the shipment number and date.

#### **RECORD KEEPING**

1. Initial Inventory - The initial inventory date of June 1, 2010 was obtained from the Strategic Inventory Management System (SIMS). The printout included the item number, drug name and description, the date counted and the quantity counted. The computer printout was verified as accurate by Ms. GILL.
2. The latest biennial inventory was dated December 31, 2008 Close of Business. The biennial inventory was reviewed by Investigators and deemed as accurate (Attachment 7).
3. Closing Inventory - A closing inventory was taken by DI Matsantonis, DI Stockmann, and DI Myers in the presence of Ms. GILL on September 7, 2010 close of business. The inventory was taken after all controlled substances had been picked and restocked for the day. Counts were verified with the computer SIMS inventory. There were no audit items in the "Damaged RX Cage". Upon completion of taking the closing inventory, Ms. GILL acknowledged the accuracy of the count by reviewing and signing the Investigator's findings (Attachment 8).
4. Receipts - Receiving records include the name, address and DEA number of the company the order is from, a bill-to address and a ship-to address along with WALGREEN CO.'s DEA number. The form also lists an item number, an NDC number, a quantity ordered and a quantity shipped. A description of the item received, which includes the name of the product, the strength of the drug, how much of the drug is in each bottle, and the schedule of the drug. The size of the bottle and the form of the controlled substance and the drug schedule is listed again to the right of the description with each descriptor in separate columns. A unit price and an extended price are also included. A total price is located in the lower right corner of the invoice along with a due date. With controlled substances, a brief sentence stating the date the drug was shipped and the DEA number of the receiving company is printed below the order.



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5. Ms. GILL provided DI Matsantonis with a copy of a receiving record for review (Attachment 9). All required information was identified on the receiving record by DI Stockmann.
6. WALGREEN CO. receives products from numerous vendors around the country 24 hours a day. Ms. GILL provided DI Matsantonis a list of all vendors that ship products to WALGREEN CO. (Attachment 10). When controlled substances arrive at the Mt. Vernon Distribution Center, they are unloaded and counted by two team members. When the count is verified, a receiver checker signs the invoice and the controlled substances are scanned into the computer. The controlled substances are then moved to the controlled substance cage by a transporter where they are re-checked again for accuracy. Once the transporter verifies the count for accuracy, a floor manager will approve the verification.
7. Distribution Records - WALGREEN CO. distributes their products to approximately 650 Walgreen stores in eight states. A complete list of the Walgreen stores that order from WALGREEN CO. was provided for the Investigators (Attachment 11). All orders from WALGREEN CO. are taken electronically via email. At the top of the electronic order form, titled "Order Entry/Maint By Ship To", lists the Walgreen's store number and address, order number, and the distribution center name. The body of the order form contains the name, strength, size and quantity of the drug(s) ordered, and the item number of the product. The order is received at WALGREEN CO. on the computer and the order is processed. A review of the order form by the Investigators revealed that all required information was in place. For controlled substances that are lost in transit, the Loss Prevention personnel are contacted regarding the loss and given as much information as necessary. WALGREEN CO. will conduct an internal investigation tracking the controlled substances through the entire shipping process at the distribution center as well as an investigation of the driver of the delivery truck. If it is necessary, the local police department is called. It is also determined who will fill out the DEA Form 106-Report of Theft or Loss of Controlled Substances.

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8. Records of Returned or Damaged Goods - WALGREEN CO. does not accept any returns of their products to the Mt. Vernon Distribution Center. All Walgreen's stores are ordered to keep any products that are damaged at their respective store and dealt with there. If any controlled substances arrive that are damaged, a function manager contacts the supplier of the product(s) and reports the damage. The controlled substances are stored inside of a black cabinet inside of the cage until they are ready to be shipped back to the vendor. The receiving invoice is signed as short, indicating the damaged quantity not being received by the firm.
9. If any controlled substances are damaged on site during the receiving process, WALGREEN CO. follows their standard operating procedure. The controlled substances are received into the firm's inventory and a DEA Form 41-Registrants Inventory of Drugs Surrendered, is filled out. Any damaged or expired controlled substances are sent to the Walgreen's Distribution Center, Windsor Return Goods Department located in Windsor, Wisconsin.
10. ARCOS - WALGREEN CO. reports to ARCOS on a monthly basis using a CD-Rom and filling out a DEA Form 333. A review of ARCOS reports with computer inventory records revealed no discrepancies. Ms. GILL provided DI Matsantonis a copy of the firm's current ARCOS reportable controlled substance inventory (Attachment 12).
11. Quotas - WALGREEN CO. does not require any verification of quotas.

#### **DRUG AND EQUIPMENT SECURITY**

1. The WALGREEN CO. distribution center is located in a two-story concrete and metal building in an industrial area northwest of Mount Vernon, Illinois. WALGREEN CO. property is adjacent to I-64, and the building is visible from the highway. The building is a total of 721,740 square feet and is constructed of steel panels with steel studs. The roof is constructed of steel panels (MR24-ALZN) as well. The metal roof is covered with a fully adhered 60-mil single ply membrane. The middle roof membrane is covered with a #3 stone ballast. The south, west, and a portion of the north area around the

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building are secured by a chain link fence, approximately 8 feet in height, with three strands of barbed wire along the top of the fence. The shipping entrance is restricted by a security guard booth and a lift bar. Entry to the employee parking lot is unrestricted. Ms. GILL provided DI Matsantonis a copy of the floor plan for WALGREEN CO. (Attachment 13).

2. The WALGREEN CO. building consists of 27,912 square feet of office space and 693,828 square feet of warehouse space. The building has a total of 98 receiving/shipping dock doors and 15 pedestrian doors. All 98 dock doors are located on the south side of the building and are equipped with magnetic contact switches and monitored by infrared motion sensors. All pedestrian doors are equipped with magnetic contact switches. The main employee entrance is along the east wall and consists of a set of double doors that are glass enclosed in steel framing. The double doors are equipped with a magnetic contact switch, glass break sensor and a magnetic card swipe. The magnetic card swipe is located on the outside of the employee entrance to allow access. All card swipes in the building are constrained by the employee's shift, allowing employees access to the building only during their individual shift.
3. The visitor entrance consists of a double glass door enclosed in steel framing and is located in the southeast corner of the building. Upon entering the visitor entrance, a visitor must sign in on a visitor log and include their name, time of arrival, contact person, company represented, and visitor badge number. Once the visitor log is completed, the visitor then enters through another glass door with steel framing to wait in the lounge area for the contact person, who must escort the visitor through the building at all times. The lounge area door is equipped with a magnetic contact switch.
4. WALGREEN CO. has its own security staff on-site. The security staff monitors the facility 24 hours a day. The security staff at WALGREEN CO. is not armed. The security office is located to the left of the employee entrance and monitors approximately 15 cameras placed around WALGREEN CO. F.E Moran Alarm Company installed and monitors the alarm system at WALGREEN CO. The alarm system is tested quarterly basis by

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WALGREEN CO. The last quarterly test was conducted on September 3, 2010 (Attachment 14).

5. WALGREEN CO. relies on the Mt. Vernon Police Department and the Jefferson County Sheriff's Department for any matters where police involvement is required. WALGREEN CO. has an uninterrupted power supply that runs the computers and security system. On September 7, 2010 DI Matsantonis, DI Myers, DI Stockmann, and Asset Protection Function Leader Kevin RODRIGUEZ tested the security in the controlled substance cage area. Mr. Rodriguez put the security zone monitoring the controlled substance cage on "test mode". All security devices tested in the cage area were functional. A printout of the security test is attached to this ROI (Attachment 15).
6. Access to the controlled substances cages is restricted by card readers. Once swipe cards have been read for entry, the same swipe card cannot be used to re-enter until they have been read on exit. Exit can be made, however, by turning a knob inside the cage. When exit in this manner happens, a message is printed out in the security room; and although it may be missed by the guard when it happens, it is recorded for subsequent review.
7. The controlled substances storage cage measures 30' wide, 116' long, and 23' high. Three sides of the cage are 10-gauge wire mesh with 3/8" openings and one wall (south) constructed of corrugated metal covered by 5" reinforced concrete. The posts of the cage are larger than the required 1" diameter and are attached to the concrete floor with lay bolts which have been brazed. The wire mesh has 1½" metal reinforcements approximately every 48" horizontally, which spans the 8' between the metal posts. All bolts to the cage have been brazed. The floor of the cage area consists of 8" thick reinforced concrete on top of 12" of lime stabilized sub-grade.
8. Entrance to the cage is through one of three doors; two doors are 8' X 9' sliding doors which are used for shipping/receiving controlled substances, and the third is a 3' X 8' personnel door. All doors are constructed of 10-gauge reinforced wire mesh with 3/8" openings and are self-closing/ self-locking.

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9. There are 15 infrared motion sensors and two security cameras installed inside of the cage. There are three infrared motion sensors in each of the four corners of the cage stacked on top of each other. The motion sensors are approximately 15' above the ground. The top and bottom motion sensor in each corner monitors the inside perimeter of the cage. The middle motion sensor in each corner monitors the center area of the cage. There are also three infrared motion sensors located in the isle between the product shelves and the pick to light area. These three motion sensors are approximately 20 feet above the ground. The two security cameras are located in the northwest and southeast corners of the cage and are monitored by the security office through closed circuit television.
10. Ms. GILL provided DI Matsantonis with a diagram of the cage area with the positions of all security devices (Attachment 16). The security office also showed the Investigators the televisions that monitor the approximately 15 cameras in and around the facility and scanned through the different camera views.
11. DI Matsantonis provided Ms. GILL the security camera specifications and locations obtained from WAGREEN CO.'s previous regulatory investigation in 2005. DI Matsantonis requested Ms. GILL review the information and to verify if all specifications and locations for each camera were still accurate. Ms. GILL analyzed the information and related that all installed security devices have been maintained and not moved for over five years. The first type of camera is a black and white Pan/Tilt/Zoom (PTZ) Pelco Spectra II with model number DD5AM. The second type of camera is a color PTZ Pelco Spectra II with model number DD5C22. The third type is a fixed camera with model number EH3512. The camera number, type, and location are as follows:

<u>Camera #</u>	<u>Type</u>	<u>Internal/External</u>	<u>Location</u>
1	Fixed	Internal	NW Corner-Main Aisle

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2	Fixed	Internal	SW Corner-Main Aisle
3	PTZ	Internal	88-89 Dock-New Dock West
4	PTZ	Internal	79 Dock-New Dock Ctr.
5	PTZ	Internal	69-70 Dock-New Dock East
6	PTZ	Internal	East End OH-South OH
7	PTZ	Internal	East End OH-North OH
8	PTZ	Internal	SW Full Case Pick
9	PTZ	Internal	S Full Case Pick
10	PTZ	Internal	S High Value
11	Fixed	Internal	SW High Value
12	Fixed	Internal	SE High Value
13	Fixed	Internal	NW High Value
14	Fixed	Internal	NE High Value
15	PTZ	Internal	3rd Level Mezz.
16	PTZ	Internal	Shipping Dock West
17	PTZ	Internal	Shipping Dock Center
18	PTZ	Internal	E Commerce Shipping
19	PTZ	Internal	Shipping Dock Center
20	PTZ	Internal	Shipping Dock East
21	PTZ	Internal	SE Corner Old Warehouse
22	PTZ	External	Southwest Rooftop
23	Fixed	Internal	1st Floor RX Desk
24	Fixed	Internal	1st Fl RX NW Overhead Dr
25	Fixed	Internal	2nd Level RX
26	Fixed	Internal	Front Cafeteria
27	Fixed	Internal	Front Cafeteria
28	PTZ	Internal	Strapper
29	PTZ	External	West Gate
30	Fixed	Internal	Computer Room
31	PTZ	External	NW Corner
32	Fixed	Internal	South End 1st Level RX
33	Fixed	Internal	Lobby
34	PTZ	External	Center South Rooftop
35	PTZ	External	NE Corner Rooftop
36	PTZ	External	Center N Side Rooftop
37	PTZ	External	Truck Yard 1st Pole
38	Fixed	Internal	Front Sorter
39	PTZ	External	Truck Yard 3rd Pole

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40	PTZ	External	Cn Old Warehouse Rooftop
41	PTZ	External	Employee Parking Lot N
42	PTZ	External	Employee Parking Lot E
43	PTX	Internal	Bulk Area
44	PTZ	External	Truck Yard 2 <sup>nd</sup> Light Pole
45	Fixed	Internal	Rear Sorter South
46	PTZ	Internal	North RX 2 <sup>nd</sup> Floor
47	PTZ	Internal	N Controlled 2 <sup>nd</sup> Floor
48	PTZ	Internal	S Controlled 2 <sup>nd</sup> Floor

12. The two motion sensors inside of the cage area on the ceiling are Radionics, Model #ZX938Z. The twelve motion sensors in the corners of the cage area are Radionics, Model #ZX776Z. The card swipe reader immediately outside of the controlled substance cage has model #FP3521A+100.
13. Below is a list of employees who have direct access to the controlled substance cage. The attached list provides the employees name, job position, DOB and SSN (Attachment 17):

<u>NAME</u>	<u>AREA/DEPARTMENT LISTING</u>
BILL BUSH	DC MANAGER
WALTER WEGNER	MANAGER OF OPERATIONS
BRIAN PROST	MANAGER OF OPERATIONS
MAURYA GILL	SYSTEMS AND ADMINISTRATION MANAGER
BRIAN MCKAY	OUTBOUND MANAGER FIRST
JC GAUNT	INBOUND MANAGER FIRST
KARL WILLIAMS	INBOUND MANAGER SECOND
SHAWN ALLARDYCE	OUTBOUND MANAGER SECOND
RICHARD AVERY	MANAGER THIRD
DON MAGNUS	MAINTENANCE MANAGER
TOM BURGIN	WEEKEND FUNCTION MANAGER
JOSHUA DERKEY	ASSET PROTECTION FUNCTION MANAGER
SCOTT ROYER	RX AM FUNCTION MANAGER
FAY SARGENT	RX AM FUNCTION LEAD
KATHY HOLZHAUER	RX PM FUNCTION MANAGER
CORDELL OATHOUT	RX PM FUNCTION LEAD

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DUSTY MCCOY	INVENTORY CONTROL MANAGER
GREG ANDERSON	LOCATION CONTROL FUNCTION MANAGER
BILL ECKARD	RECEIVING 1 <sup>ST</sup> FUNCTION MANAGER
DALE MATHUS	RECEIVING 2 <sup>ND</sup> FUNCTION MANAGER
HOLLY PIERCE	RECEIVING 3 <sup>RD</sup> FUNCTION MANAGER
DEREK PARMLEY	WEEKEND RECEIVING FUNCTION LEAD
BILL BECKHAM	SHIPPING 1 <sup>ST</sup> FUNCTION MANAGER
ANDY RAINS	SHIPPING 2 <sup>ND</sup> FUNCTION MANAGER
BART RANEY	SHIPPING 3 <sup>RD</sup> FUNCTION MANAGER
MIKE HALL	SCP & SCS 3 <sup>RD</sup> FUNCTION MANAGER
SHANDA ELLIS	FCS 1 <sup>ST</sup> FUNCTION MANAGER
SCOTT DIXON	FCS 2 <sup>ND</sup> FUNCTION MANAGER
TERRY OWENS	FCS 3 <sup>RD</sup> FUNCTION MANAGER
TRISHA FECHTLER	FCS 3 <sup>RD</sup> FUNCTION MANAGER
MATT MCFARLAND	MAINTENANCE FUNCTION MANAGER
JACKEE ALLEN	RX AM TEAM MEMBER
NICKIE REDFERN	RX AM TEAM MEMBER
STEVE WALLACE	RX AM TEAM MEMBER
SUSAN GORDON	RX AM TEAM MEMBER
KIM DALE	RX AM TEAM MEMBER
KIM MICK	RX AM TEAM MEMBER
BETH MICK	RX AM TEAM MEMBER
JEFFERY WHITTINGTON	RX PM TEAM MEMBER
DALE CRAWFORD	RX PM TEAM MEMBER
CHRIS HENDRICKS III	RX PM TEAM MEMBER
CARL MCADAMS	RX PM TEAM MEMBER
ERNEST CHITWOOD	RX PM TEAM MEMBER
JEFF CRAWFORD	RECEIVING 1 <sup>ST</sup> TEAM MEMBER
JAN KLUTE	RECEIVING 1 <sup>ST</sup> TEAM MEMBER
HEATHER EDWARDS	RECEIVING 2 <sup>ND</sup> TEAM MEMBER
STACEY RIVERA	RECEIVING 2 <sup>ND</sup> TEAM MEMBER
DEREK BUNDY	RECEIVING 2 <sup>ND</sup> TEAM MEMBER
MIKE SPEISER	RECEIVING 3 <sup>RD</sup> TEAM MEMBER
NATHAN DAY	STOCKER 3 <sup>RD</sup> TEAM MEMBER
VICKE BARKER	STOCKER 3 <sup>RD</sup> TEAM MEMBER
LARRY SMITH	STOCKER 3 <sup>RD</sup> TEAM MEMBER
JOE GUERRETTAZ	TOTE LIFTER 3 <sup>RD</sup> SHIFT
ELAINE HANSON	ARCOS CLERK



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A NADDIS check on the referenced individuals revealed no derogatory information.

14. All orders from customers are done electronically through email. Once WALGREEN CO. receives the order, a shipping label and picking ticket are generated. The picking ticket is then taken by a picker inside of the cage and the controlled substances are hand picked and placed in a plastic bag within a plastic tote. Once the order is completed, the tote is then audited for accuracy and sealed. After the tote is sealed, it is transported to a transport cage. WALGREEN CO. uses heavily constructed wire cages on wheels to transfer controlled substances to and from shipping and receiving. These cages measure approximately 5' x 3' x 5' and remain locked with a padlock when outside the controlled substances storage area awaiting transfer to the shipping trailer. The cages are secured to a metal railing outside the Rx area in the vicinity of the overheads used to load Rx items onto truck trailers. Before the shipment is loaded onto a delivery truck, the order is verified and the seals are checked for tampering. Company policy requires that shipping containers must not indicate that contents are controlled substances, that a common label is used for non-controlled substances and controlled substances.
15. When controlled substances are loaded, the trailer door is closed and sealed with an electronic lock. A second shipping clerk will verify that the trailer door has been sealed. WALGREEN CO. utilizes RR Donnelley Logistics, 7501 S. Quincey, Willowbrook, Illinois 60527, telephone number 888-880-8372, as the contract carrier for delivery of their products. The contract carriers are divided into eleven routes covering the WALGREEN CO. distribution area. Ms. GILL provided DI Matsantonis a print out of WALGREEN CO.'s common carrier contact info and route information (Attachment 18).
16. The facility is open 24 hours a day during the week, operating three shifts a day from Monday through Saturday. Weekend shifts are 4 a.m. to 2 p.m. The janitorial and maintenance staff is on site from 5 a.m. until 3 p.m. Saturday and Sunday. Since receiving and stocking take place on all three shifts, the alarm system to the controlled

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substances caged area is not turned on until the receivers and stockers leave on Saturday afternoon and then turned off when the Sunday morning shift arrives. Dock doors are secured and alarmed during periods when trailers are not being loaded and receiving shipments are not expected.

17. WALGREEN CO. conducts background checks on all applicants. The Human Resources department is in charge of conducting the background checks. The applicant would complete a form containing the necessary information for the background check. If the applicant is offered employment, the information would be submitted to Choice Point. The firm checks for felony and misdemeanor criminal history. The firm usually receives the results within 48 hours. The Human Resources department ensures that the results are marked as "passed" before the employee may begin work. Ms. GILL provided DI Matsantonis copies of WALGREEN CO.'s "Reasonable Suspicion Observation Checklist for Supervisors" form, the policy relating to DEA Employee Screening, and their Pre-Employment Screening Procedures (Attachment 19 - 21).
18. DI Matsantonis informed Ms. GILL that WALGREEN CO. could fax controlled substance related employment screening background requests to the St. Louis office. DI Matsantonis explained to Ms. GILL that this was not a substitute to their employment background screening procedures, but it could be an added level of screening the St. Louis office could provide.
19. WALGREEN CO. also conducts drug tests on all applicants. WALGREEN CO. hires Quest Diagnostics to perform urinalysis on all applicants. Drug screens are also performed once a person is employed for two reasons: if the employee is behaving in a suspicious manner or if there is an accident while at work. WALGREEN CO. utilizes Cross Roads Hospital and St. Mary's Hospital for emergency medical care.
20. According to Ms. GILL, an identifiable suspicious or excessive order sent to their facility is very uncommon. Orders from the local Walgreens Pharmacies are sent to WALGREEN CO.'s main district office located at 1084 Mount Prospect Plaza, Mount Prospect, Illinois 60056, 847-788-4144. Once the orders from the local Walgreens Pharmacies are

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sent to the district office, the district office will electronically send the distribution orders to WALGREEN CO.'s facility.

21. Due to all order requests of controlled substances being directed to their district office in Mount Prospect, IL, a suspicious or excessive order will be identified at WALGREEN CO.'s main district office. Ms. GILL related that she could not recall a time when an order was deemed suspicious but not identified by the district office. If what seems to be an excessive order is not caught by the district office, WALGREEN CO. will call the district office and the local Walgreens Pharmacy by phone to verify the order.
22. According to Ms. GILL and Mr. BUSH, no thefts or unexplained losses of controlled substances have occurred in their facility for at least two years. DI Matsantonis reviewed the policies of completing a DEA Form 106, Report of Theft or Loss of Controlled Substances.

#### **INTELLIGENCE INFORMATION**

Mr. BUSH and Ms. GILL related that they know of no intelligence information relating to the diversion of controlled substances.

#### **FOREIGN SUPPLIERS AND CUSTOMERS**

WALGREEN CO. does not import or distribute controlled substances outside the United States.

#### **VERIFICATIONS**

1. On September 13, 2010 DI Matsantonis contacted Walgreens Pharmacy, Store Number 02616, to verify them as customers from WALGREEN CO. in Mount Vernon, Illinois. Store Manager Sara M. Olson confirmed that their DEA Registration was BW4183846 and that WALGREEN CO. distributes controlled substances to their pharmacy.
2. On September 13, 2010 DI Matsantonis contacted Walgreens Pharmacy, Store Number 02808, to verify them as customers from WALGREEN CO. in Mount Vernon, Illinois. Store Manager Chris A. Schmidt confirmed that

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their DEA Registration was AW3585013 and that WALGREEN CO. distributes controlled substances to their pharmacy.

3. On September 13, 2010 DI Matsantonis contacted Walgreens Pharmacy, Store Number 03501, to verify them as customers from WALGREEN CO. in Mount Vernon, Illinois. Store Manager Carrie M. Weder confirmed that their DEA Registration was AW8721892 and that WALGREEN CO. distributes controlled substances to their pharmacy.

### **SPECIAL ASSIGNMENTS**

No special assignments were executed during this regulatory investigation.

### **CLOSING DISCUSSION WITH MANAGEMENT**

1. On September 8, 2010 DI George Matsantonis, DI Bill Stockmann, and DI Joe Myers met with Distribution Center Manager Bill Bush and Administration & Systems Training Manager Maurya GILL to discuss the results of WALGREEN CO.'s regulatory investigation. DI Matsantonis informed Mr. BUSH and Ms. GILL that no discrepancies were discovered during their audit of controlled substances. DI Matsantonis related that all reviewed WALGREEN CO. records and security procedures were compliant under the Federal Codes of Regulations.
2. Mr. BUSH and Ms. GILL were given an opportunity to ask questions relating to the requests and actions of the Investigators during this regulatory investigation. Ms. GILL related that she would keep a binder of all requested information during this regulatory investigation. Ms. GILL stated that she would update the information and have it readily available for WALGREEN CO.'s next regulatory investigation.

### **INDEXING**

1. WALGREEN CO. - [REDACTED] - **Remarks:** FY 2010 Regulatory Investigation conducted with no discrepancies or derogatory information revealed at conclusion.

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2. BUSH, Bill - [REDACTED] - Phone: 618-244-8701. **Remarks:** Distribution Center Manager with access to controlled substances at WALGREEN CO [REDACTED].
3. GILL, Maurya - [REDACTED] - Phone: 618-244-8711. **Remarks:** Administration & Systems Training Manager with access to controlled substances at WALGREEN CO [REDACTED].
4. RODRIGUEZ, Kevin - [REDACTED] **Remarks:** Asset Protection Function Leader with access to controlled substances at WALGREEN CO [REDACTED].
5. WEGNER, Walter - [REDACTED] - **Remarks:** None.
6. PROST, Brian - [REDACTED] - **Remarks:** None.
7. MCKAY, Brian - [REDACTED] **Remarks:** Outbound Manager with access to controlled substances at WALGREEN CO [REDACTED].
8. GAUNT, JC - [REDACTED] **Remarks:** Inbound Manager with access to controlled substances at WALGREEN CO [REDACTED].
9. WILLIAMS, Karl - [REDACTED] - **Remarks:** None.
10. ALLARDYCE, Shawn - [REDACTED] **Remarks:** Outbound Manager with access to controlled substances at WALGREEN CO [REDACTED].
11. AVERY, Richard - [REDACTED] **Remarks:** Manager with access to controlled substances at WALGREEN CO [REDACTED].
12. MAGNUS, Donald - [REDACTED] **Remarks:** Maintenance Manager with access to controlled substances at WALGREEN CO [REDACTED].

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13. BURGIN, Tom - [REDACTED]  
**Remarks:** Functional Manager with access to controlled substances at WALGREEN CO [REDACTED].
14. DERKEY, Joshua - [REDACTED]  
**Remarks:** Asset Protection Functional Manager with access to controlled substances at WALGREEN CO [REDACTED].
15. ROYER, Scott - [REDACTED]  
**Remarks:** RX Functional Manager with access to controlled substances at WALGREEN CO [REDACTED].
16. SARGENT, Fay - [REDACTED]  
**Remarks:** RX Function Leader with access to controlled substances at WALGREEN CO [REDACTED].
17. HOLZHAUER, Kathy - [REDACTED]  
**Remarks:** RX Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
18. OATHOUT, Cordell - [REDACTED]  
**Remarks:** RX Function Leader with access to controlled substances at WALGREEN CO [REDACTED].
19. MCCOY, Dusty - [REDACTED] - **Remarks:** None.
20. ANDERSON, Greg - [REDACTED]  
**Remarks:** Location Control Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
21. ECKARD, Bill - [REDACTED] - **Remarks:** Receiving Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
22. MATHUS, Dale - [REDACTED]  
**Remarks:** Receiving Function Manager with access to controlled substances at WALGREEN CO [REDACTED].

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23. PIERCE, Holly - [REDACTED]  
**Remarks:** Receiving Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
24. PARMLEY, Derek - [REDACTED]  
**Remarks:** Receiving Function Leader with access to controlled substances at WALGREEN CO [REDACTED].
25. BECKHAM, Bill - [REDACTED]  
**Remarks:** Shipping Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
26. RANEY, Bart - [REDACTED]  
**Remarks:** Shipping Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
27. HALL, Mike - [REDACTED]  
**Remarks:** Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
28. ELLIS, Shanda - [REDACTED] - **Remarks:** None.
29. DIXON, Scott - [REDACTED]  
**Remarks:** Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
30. OWENS, Terry - [REDACTED]  
**Remarks:** Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
31. MCFARLAND, Matt - [REDACTED]  
[REDACTED] **Remarks:** Maintenance Function Manager with access to controlled substances at WALGREEN CO [REDACTED].
32. ALLEN, Jackee - [REDACTED] - **Remarks:** None.

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33. REDFERN, Nickie - [REDACTED]  
**Remarks:** RX Team Member with access to controlled substances at WALGREEN CO [REDACTED]
34. WALLACE, Stephen - [REDACTED] - **Remarks:** None.
35. GORDON, Susan - [REDACTED]  
**Remarks:** RX Team Member with access to controlled substances at WALGREEN CO [REDACTED]
36. DALE, Kim - [REDACTED]  
**Remarks:** RX Team Member with access to controlled substances at WALGREEN CO [REDACTED]
37. MICK, Kim - [REDACTED]  
**Remarks:** RX Team Member with access to controlled substances at WALGREEN CO [REDACTED]
38. MICK, Beth - [REDACTED]  
**Remarks:** RX Team Member with access to controlled substances at WALGREEN CO [REDACTED]
39. WHITTINGTON, Jeffery - [REDACTED]  
**Remarks:** RX Team Member with access to controlled substances at WALGREEN CO [REDACTED]
40. CRAWFORD, Dale - [REDACTED] - **Remarks:** None.
41. HENDRICKS III, Chris - [REDACTED]  
**Remarks:** RX Team Member with access to controlled substances at WALGREEN CO [REDACTED]
42. MCADAMS, Carl - [REDACTED] - **Remarks:** None.
43. CHITWOOD, Ernest - [REDACTED]  
**Remarks:** RX Team Member with access to controlled substances at WALGREEN CO [REDACTED]



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44. CRAWFORD, Jeff - [REDACTED]  
**Remarks:** Receiving Team Member with access to controlled substances at WALGREEN CO [REDACTED]
45. KLUTE, Jan - [REDACTED]  
**Remarks:** Receiving Team Member with access to controlled substances at WALGREEN CO [REDACTED]
46. EDWARDS, Heather - [REDACTED]  
**Remarks:** Receiving Team Member with access to controlled substances at WALGREEN CO [REDACTED]
47. RIVERA, Stacey - [REDACTED]  
**Remarks:** Receiving Team Member with access to controlled substances at WALGREEN CO [REDACTED]
48. BUNDY, Derek - [REDACTED]  
**Remarks:** Receiving Team Member with access to controlled substances at WALGREEN CO [REDACTED]
49. SPEISER, Mike - [REDACTED]  
**Remarks:** Receiving Team Member with access to controlled substances at WALGREEN CO [REDACTED]
50. HANSON, Elaine - [REDACTED] - **Remarks:** ARCOS Clerk with access to controlled substances at WALGREEN CO [REDACTED]