

REPORT OF INVESTIGATION

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1. Program Code	2. Cross File Related Files	3. File No. [REDACTED]	4. G-DEP Identifier [REDACTED]
5. By: Brian A Glaudel, DI At: Sacramento DO	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	6. File Title WALGREEN CORPORATION	
7. <input type="checkbox"/> Closed <input type="checkbox"/> Requested Action Completed <input type="checkbox"/> Action Requested By:		8. Date Prepared 07-08-2014	
9. Other Officers: DI Christina Grijalva			
10. Report Re: Scheduled Investigation, Non-Actionable [REDACTED]			

**SYNOPSIS**

On June 23, 2014, a Scheduled Investigation was initiated at WALGREENS CORPORATION (WALGREENS), 2370 East Main Street, Woodland, California 95776. This investigation was conducted in accordance with the San Francisco Field Division (SFFD), Sacramento District Office (SDO) Fiscal Year 2014 Work Plan.

WALGREENS is registered with the Drug Enforcement Administration (DEA) as a distributor of controlled substances in Schedules 2 through 5. WALGREENS maintains DEA Registration Number RW0204026.

On June 23, 2014 and June 25, 2014, the approximately eighteen (18) month accountability audit from January 1, 2013 Beginning of Business (BOB) through June 23, 2014 (BOB) was concluded with no discrepancies noted of the ten (10) controlled substances selected for the audit. Diversion Investigators (DIs) Brian Glaudel and Christina Grijalva did not find any record keeping or security violations during the investigation.

WALGREENS no longer stores controlled substances on-site. WALGREENS has contracted with AMERISOURCEBERGEN to distribute Schedules 2-5 controlled substances to WALGREENS retail stores.

11. Distribution: Division [REDACTED]  District  Other [REDACTED]	12. Signature (Agent)  Brian A Glaudel, DI  14. Approved (Name and Title) /s/ Penny R Payne, GS	13. Date 07-15-2014  15. Date 07-15-2014
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CCSF v. Purdue Pharma,  
et al. 3:18-CV-7591  
**WAG-MDL-00437**  
Admitted: 06/08/2022

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**ENCLOSURES**

1. Notice of Inspection
2. Computation Chart
3. Chart of WALGREENS Corporate Officers
4. State of California Wholesale Drug Permit License Number WLS 2964
5. List of WALGREENS State Drug Licenses
6. List of WALGREENS State of California Pharmacy Exemtees
7. Power of Attorney
8. Inventory dated June 23, 2014 (BOB)

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## **DETAILS**

### **1. Basis of Investigation**

On June 23, 2014, an in-depth scheduled investigation was initiated at WALGREENS CORPORATION (WALGREENS), 2370 East Main Street, Woodland, California 95776. This investigation was conducted in accordance with the San Francisco Field Division (SFFD), Sacramento District Office (SDO) Fiscal Year 2014 Work Plan.

### **2. Subject Firm's Background**

#### **a. Identifying Information**

WALGREENS is registered with the Drug Enforcement Administration (DEA) as a distributor of controlled substances in Schedules 2 through 5. WALGREENS maintains DEA Registration Number RW0204026. WALGREENS distributes full line pharmacy and general store goods to individual WALGREENS stores.

WALGREENS will no longer store or distribute Schedule 2-5 controlled substances from this distribution facility. WALGREENS has entered into a ten year contract for AMERISOURCEBERGEN to supply Schedules 2-5 controlled substances to the individual WALGREENS pharmacy locations. This distribution center will supply other pharmacy and general store merchandise. Management will maintain the DEA Registration until the company is satisfied that the business relationship with AMERISOURCEBERGEN will satisfy the needs of the company.

The telephone number for the firm is (530)406-7700. There are currently 650 employees at this facility (managers, office staff, and warehouse workers). This location services 542 Walgreen Pharmacy locations in California and Washington (the WALGREENS facility only delivers Schedules 3 through 5 controlled substances). This location also services over 2600 WALGREENS Pharmacies throughout the Western United States (the WALGREENS facility delivers only Schedules 2 controlled substances). WALGREENS representatives estimated controlled substance sales to be 0% of their total volume.

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**b. Incorporation Information**

The company is incorporated in Illinois with corporate offices located at 200 Wilmot Road, Deerfield, IL 60015, telephone (708) 940-2500.

**c. Principals of the Firm**

Corporate Officers:

James Skinner, Chairman of the Board  
Greg Wasson, President/Chief Executive Officer  
Wade Miquelon, Executive Vice President (VP), Chief Financial Officer  
Mark Wagner, Executive VP of Operations  
Reuben Slone, Senior VP, Supply Chain and Logistics  
Sue Thoss, Regional VP, Supply Chain and Logistics

WALGREENS Management (Local):

Mark COMAN, Distribution Center Director  
Marc GADDIS, Operations Manager

**d. State and Federal Licenses**

Drug Enforcement Administration  
DEA Number: RW0204026  
Business Activity: Distributor  
Expiration date: May 31, 2015

State of California Board of Pharmacy  
Wholesale Drug Permit Number WLS 2964  
Expiration date: April 1, 2015

See attached list for complete list of all state licenses.

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**e. Hours of Operation**

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

Office: 7:00 a.m. to 3:30 p.m., Monday-Friday

"As needed" Saturdays, Sundays, Holidays

Warehouse: Continuous operations, Sunday 7:00 p.m. through Friday 12:00 p.m.

Receiving only: Saturday and Sunday 8:00 a.m. - 6:00 p.m.

**f. History of Previous Investigations**

Query of the [REDACTED] system revealed that WALGREENS was issued [REDACTED]  
[REDACTED] Further query and review of the files in the Sacramento District Office revealed the following:

[REDACTED]: This Scheduled Investigation for FY2012 resulted in a Letter of Admonition due to two audit variances discovered during the accountability audit.

[REDACTED]: This Scheduled Investigation for FY2009 resulted in a Letter of Admonition due to four audit variances and failure to file a DEA Form-106 discovered during the audit.

[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]: This Scheduled 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.

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[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 WALGREENS distribution facility.

[REDACTED]: The first Scheduled Investigation of the Woodland, CA location of WALGREENS 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]: This Approval of Application documented the firm's Application for Registration. The report primarily dealt with the firm's controlled substance security systems and corporate management.

### 3. Persons Interviewed and Individual Responsibility

On June 23, 2014, DIs Brian Glaudel and Christina Grijalva presented their credentials and a Notice of Inspection of Controlled Premises, DEA-82 form, to John COMAN, Distribution Center Director, 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 record keeping and security. Also present during the interview was Mark GADDIS, Operations Manager. Mr. COMAN and Mr. GADDIS provided the Investigators with requested information during the course of the investigation.

### 4. Scope of Investigation

The on-site portion of this investigation was initiated on June 23, 2014 and concluded on June 25, 2014. The audit period of the on-site investigation for the Schedule 2 through 5 controlled substances was January 1, 2013 (BOB), to June 23, 2014 (BOB). It should be noted that April 30, 2014 was the last day they distributed controlled

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substances. AMERISOURCEBERGEN will be handling the needs of the individual WALGREENS pharmacies for Schedules 2-5 controlled substances.

Investigators chose to conduct the audit from the last Biennial Inventory performed on December 31, 2012 due to the firm's violative history based on the Letter of Admonition resulting from the last Scheduled Investigation. DI's Glaudel and Grijalva audited the following controlled substances (see attached Computation Chart for complete details):

<u>Controlled Substance</u>	<u>Schedule</u>	<u>Variance %</u>
OxyContin 30 mg Tablets, 100 ct. Bottles	II	0
Morphine Sulfate ER 20 mg Caplets, 100 ct. Bottles	II	0
Hydromorphone 2 mg Tablets, 100 ct. Bottles	II	0
Hydrocodone/APAP 10/325 mg Tablets, 100 ct. Bottles	III	0
Buprenorphine 2 mg Tablets, 30 ct. Bottles	III	0
Hydrocodone/APAP 5/500 mg Tablets, 500 ct. Bottles	III	0
Diazepam 10 mg Tablets, 500 ct. Bottles	IV	0
Lorazepam 1 mg Tablets, 500 ct. Bottles	IV	0
Alprazolam XR .5 mg tablets, 60 ct. Bottles	IV	0
Promethazine w/ Codeine 6.25/10 mg Syrup, 473 ml Bottles	V	0

## 5. Record Keeping

Mr. COMAN is responsible for record keeping at the facility.

### a. Initial Inventory

The firm took a full physical inventory on December 31, 2012, Close of Business (COB), of all Schedule 2 through 5 controlled substances. The

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Initial Inventory figure for this investigation was taken from the inventory referenced above. The firm performs a complete physical inventory of all products at the end of each year.

#### **b. Closing Inventory**

On June 23, 2014, BOB, DIs Glaudel and Grijalva with the assistance of Mr. GADDIS took an inventory with a physical count of all controlled substances to be audited. No controlled substances were stored on-site and will not be stored for the foreseeable future.

#### **c. Receipts**

The receiving information for the Schedule 2 controlled substances was obtained from the WALGREENS computer system.

The DEA-222 Order Forms, U.S. Official Order Forms - Schedules I & II, 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 WALGREENS.

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

With the "zero paper record" system, the original invoices are sent directly from the supplier to WALGREENS 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.

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Upon request, the firm can generate a REPB 307, WALGREENS 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 WALGREENS 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 WALGREENS facility.

#### **d. Production Records**

The WALGREENS facility distributes only to WALGREENS pharmacies. WALGREENS ensures that the pharmacies are properly licensed with the Drug Enforcement Administration as well as appropriate state permits. It should be noted that as of April 30, 2014, WALGREENS will be using AMERISOURCEBERGEN to distribute Schedules 2-5 controlled substances.

#### **e. 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 WALGREENS OFPB 612

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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.

To accurately determine the controlled substances distributed, the Investigators will need the Daily Item Summary Statistics to account for what has left the distributor. The dispensation/sales printout will not

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be up-to-date since it is not recorded in the computer system until the store receives the shipment, which could take a day or two.

#### **f. Records of Returns or Damaged Goods**

All returns to vendors from the WALGREENS 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-41 Form for drug destruction transfers. All destruction is conducted by the Windsor, WI facility. WALGREENS 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**

WALGREENS submits monthly reports to the ARCOS Unit. All reports have been submitted on a timely basis and the last ARCOS report was filed June 11, 2014.

#### **h. Quotas**

Not applicable.

### **6. Drug and Equipment Security**

#### **a. Individuals with Access to Controlled Substances**

WALGREENS has a limited number of individuals allowed to access the Schedule 3-5 cage and the Schedule II vault. It should be noted that as of April 30, 2014, WALGREENS will be using AMERISOURCEBERGEN to distribute Schedules 2-5 controlled substances and there are no controlled substances stored on-site. WALGREENS will establish a new list of employees if and when they decide to store and distribute controlled substances.

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**b. Physical Security**

The WALGREENS 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 WALGREENS property. The WALGREENS 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 2 controlled substances arrive at a receiving dock, an unloader fills out a transport form. Before the Schedule 2's are transported from the dock to the vault, four (4) members of the controlled substance team verifies the case count on the transport form. The Schedule 2'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 WALGREENS pharmacies are filled by matching the DEA 222 form with WALGREENS picking document. Once filled, the controlled substances are transported to an auditing station inside the vault where the product is scanned and verified against the original order. All items in the vault will be inventoried at the end of each business day.

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

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**c. Alarm System**

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:

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

At 17' level:

1 PIR in Northwest corner

3 PIR's facing South down aisle

3 PIR's in Northeast corner

3 PIR's in Southeast corner

3 PIR's facing North down aisle

3 PIR's on West Wall

Center Ceiling:

3 360's in center aisle

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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

Schedule 3-5 Cage:

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

Shipping Dock Caged Area:

2 Contacts on each entrance (gate and personnel door)

1 goes to the alarm system

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1 goes to the guard shack on site at the firm

3 Passive infrared motion detectors positioned in each corner of the caged area approximately 16 feet above the floor

1 pointed east/west along the north and south walls

1 pointed north/south along the east and west walls

1 pointed approximately horizontal over the mid portion of the caged area to cover the ceiling of the cage

1 PIR mounted at the 16 ft height on the east wall pointed westward to cover the middle portion of the cage

1 Tamper proof switch on the master control boxes

2 Digital keypads at each entry location

This system is separate from the Rx Room.

Shipping Dock 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

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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.

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

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 F.E. Moran, Inc., (877) 336-6726. This alarm has line



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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 WALGREENS Human Resources Department conducts pre-employment background checks on all prospective employees. All references are checked. A criminal background check is conducted. 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.

DI Glaudel conducted a security test with Mr. GADDIS on June 25, 2014. All the security points were functioning in the controlled substances vault and Scheduloes 3-5 controlled substances cage.

#### **d. Controlled Substance Storage**

##### 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 WALGREENS' property. The vault is situated on the West side of the warehouse. It was manufactured and installed by the Custom Vault Corporation, Ridgefield, Connecticut. The modular panel vault is constructed of UL Class M modular panels which were used to create the walls and the ceiling. Each 4' x 10' wall panel weighs 2800 pounds and consists of 4" thick interlocking modular material. The ends and sides of the wall panels are equipped with metal caps which are joined with 3" welds every 12". The 3' x 10' ceiling panels are completely wrapped in steel and also joined with 3" welds every 12". The vault interior measures approximately 60' long x 27' wide x 22' high and has an approximate floor space of 1620 square feet. The metal joints between the panels have been filled with caulking, sealing the entire length of each panel to its adjoining panels. 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

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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:

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.

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.

#### Controlled Substance Vault Cage

The area known as the Drug Vault Cage is situated on the West side of the distribution facility, adjoined to and surrounding the vault. The Drug Vault Cage area is only used to temporarily secure the Schedule II

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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:

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.

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.

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 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

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window. The south end of this area surrounding the personnel door is constructed of metal sheeting.

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.

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.

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.

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.

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

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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.

#### Schedule 3-5 Controlled Substance Cage

The Schedule 3 through 5 controlled substances are stored in a Wirecrafters Inc. caged area which measures (37' wide by 68' long) and is 21' 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'. 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.

The caged area has two separate entrances. One entrance is a sliding gate that measures 10' high and 8' 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 electromagnetic lock. Each lock has a holding force rating of 1800 lbs. In the event of power failure, there is a 12 hour battery backup.

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

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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.

#### 10. Intelligence Information

The firm's personnel stated they had no knowledge of counterfeit drugs or controlled substance diversion. Mr. GADDDIS and Mr. COMAN advised that the large chain pharmacies will be transitioning to using the large distributors to handle Schedule 2-5 controlled substance needs. The chain pharmacies can utilize the traditional distributors such as CARDINAL HEALTH, MCKESSON, and AMERISOURCEBERGEN to replenish their retail stores instead of handling the distribution needs in-house.

#### 11. Foreign Suppliers and Customers

The firm has no foreign suppliers or customers.

#### 12. Discrepancies and Discussion with Management

DI's Glaudel and Grijalva discussed the audit results with Mr. COMAN and Mr. GADDIS. The Scheduled Investigation resulted in no record keeping or security issues.

#### 13. Verifications

A) Store address: 8275 Bruceville Road, Sacramento, CA 95823  
Person Contacted: Pharmacist in Charge (PIC) Daisy (last name unknown)  
Date Contacted: July 10, 2014

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Controlled Substance: Alprazolam XR 0.5 mg Tablets, 60 count Bottle  
Amount: 3  
Date Shipped: October 3, 2013

B) Store address: 9728 Jensen Avenue, Sanger, CA 93657  
Person Contacted: PIC Daniel Perez  
Date Contacted: July 10, 2014

Controlled Substance: OxyContin 30 mg Tablets, 100 count Bottle  
Amount: 1  
Date Shipped: July 17, 2013

C) Store address: 700 Twelve Bridges Drive, Lincoln, CA 95648  
Person Contacted: Registered Pharmacist Denise Pouza  
Date Contacted: July 10, 2014

Controlled Substance: OxyContin 30 mg Tablets, 100 count Bottle  
Amount: 1  
Date Shipped: July 17, 2013

D) Store address: 3999 Foothills Drive, Roseville, CA 95747  
Person Contacted: PIC Jim Miller  
Date Contacted: July 10, 2014

Controlled Substance: Alprazolam XR 0.5 mg Tablets, 60 count Bottle  
Amount: 1  
Date Shipped: October 10, 2013

E) Store address: 2201 Arden Way, Sacramento, CA 95825  
Person Contacted: PIC Kevin Wong  
Date Contacted: July 10, 2014

Controlled Substance: Alprazolam XR 0.5 mg Tablets, 60 count Bottle  
Amount: 1  
Date Shipped: October 4, 2013

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#### 14. Special Assignments

There were no special assignments tasked with this Scheduled Investigation.

#### INDEXING

##### 1. WALGREENS CORPORATION [REDACTED]

Remarks: The FY2014 Scheduled Investigation of WALGREENS resulted in no record keeping or security issues. WALGREENS has contracted with AMERISOURCEBERGEN to provide Schedules 2-5 controlled substances to WALGREENS retail pharmacies. The WALGREENS facility in Woodland, California will no longer store and distribute controlled substances as of April 30, 2014.

##### 2. COMAN, Mark [REDACTED]

Remarks: Present during the FY2014 Scheduled Investigation of WALGREENS.

##### 3. GADDIS, Marc [REDACTED]

Remarks: Present during the FY2014 Scheduled Investigation of WALGREENS.

##### 4. AMERISOURCEBERGEN [REDACTED]

Remarks: Received ten year contract to distribute Schedule 2-5 controlled substances to WALGREENS retail pharmacies.

##### 5. MCKESSON CORPORATION [REDACTED]

Remarks: Nothing to add.



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6. CARDINAL HEALTH [REDACTED]

Remarks: Nothing to add.