
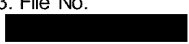




REPORT OF INVESTIGATION

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1. Program Code	2. Cross File Related Files <input checked="" type="checkbox"/>  <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	3. File No. 	4. G-DEP Identifier 
5. By: Nia M Smith, DI At: Sacramento DO		6. File Title WALGREENS CORPORATION	
7. <input type="checkbox"/> Closed <input type="checkbox"/> Requested Action Completed <input type="checkbox"/> Action Requested By:		8. Date Prepared 11-16-2017	
9. Other Officers: Diversion Investigator Christina Grijalva			
10. Report Re: Scheduled Investigation - WALGREENS CORPORATION; DEA #RW0204026 			

SYNOPSIS

This investigation was conducted in accordance with the San Francisco Field Division (SFFD), Sacramento District Office (SDO) Fiscal Year 2018 Work Plan. WALGREENS CORPORATION (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.

The on-site investigation was conducted on November 8, 2017 by Diversion Investigators (DI) Nia Smith and DI Christina Grijalva. This was the sixth accountability investigation conducted on this firm. WALGREENS no longer stores controlled substances on-site. WALGREENS has contracted with AMERISOURCEBERGEN to distribute Schedules 2-5 controlled substances to WALGREENS retail stores.

WALGREENS has not distributed any controlled substances under their Distributor registration #RW0204026 since June 18, 2014. WALGREENS currently does not have any controlled substances on hand and has not ordered any controlled substances since June of 2013. Investigators did not conduct an accountability audit due to WALGREENS no longer distributing controlled substances and there not being any movement of controlled substances since the scheduled investigation completed on June of 2014.

11. Distribution: Division  District Other 	12. Signature (Agent) /s/ Nia M Smith, DI 14. Approved (Name and Title) /s/ Violeta L Elizalde, GS	13. Date 11-30-2017 15. Date 12-04-2017
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et al. 3:18-CV-7591
WAG-MDL-00554
Admitted: 06/08/2022

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ENCLOSURES

1. Notice of Inspection
2. Biennial Inventory dated December 30, 2016 (COB)
3. Board of Pharmacy printout

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DETAILS

1. Basis of Investigation

This investigation was conducted in accordance with the San Francisco Field Division (SFFD), Sacramento District Office (SDO) Fiscal Year 2018 Work Plan. Diversion Investigators (DI) Nia Smith and DI Christina Grijalva conducted a scheduled investigation of WALGREENS CORPORATION, hereinafter referred to as WALGREENS, located at 2370 East Main Street, Woodland, California 95776.

2. Subject Firm's Background

a. Identifying Information

WALGREENS is registered as a Distributor for Schedules 2 through 5 controlled substances under DEA registration RW0204026, with an expiration date of May 31, 2018. WALGREENS is a Distributor of both controlled and non-controlled pharmaceutical substances as well as sundry items to approximately 542 Walgreens pharmacies located throughout California and Washington and to approximately 2600 Walgreens pharmacies located throughout the Western part of the United States. DI Smith and DI Grijalva learned that WALGREENS' total sales of controlled substances currently represent zero percent of the firm's total business. WALGREENS has had a zero inventory of controlled substances since June 18, 2014.

b. Incorporation Information

WALGREENS corporate headquarters is located at 200 Wilmot Road, Deerfield, Illinois 60015, telephone number (708) 940-2500. WALGREENS was founded in 1901 with a single drug store owned and operated by Mr. Charles Walgreen.

c. Principals of the Firm

WALGREENS operates by a Board of Directors and assignments filter down to regions.

WALGREENS Management (Local):

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Joe FERRY, In-going/Out-going Manager

d. State and Federal Licenses

Drug Enforcement Administration

DEA Number: RW0204026

Business Activity: Distributor

Expiration date: May 31, 2018

State of California Board of Pharmacy

Whole Drug Permit Number: 6607

Expiration date: February 1, 2018 (Enclosure 3)

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

Further query and review of the files in the Sacramento District Office revealed the following:

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[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.

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

[REDACTED]: General File

[REDACTED]: General Information file established by the Sacramento District Office.

[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). The audit of the controlled substances including steroids revealed no discrepancies for the six (6) 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 WALGREENS distribution facility.

[REDACTED]: This Scheduled Investigation of the Woodland, CA location of WALGREENS was initiated on October 17, 2000 and concluded on October 23, 2000 (on-site dates). The audit of the controlled substances, including steroids, revealed no discrepancies for the twelve (12) substances chosen.

[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 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 FY2012 resulted in a Letter of Admonition due to two audit variances discovered during the accountability audit.

[REDACTED]: This Scheduled Investigation for FY2014 was initiated on June 23, 2014 and concluded on June 25, 2014. There were no record keeping or

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security violations noted. WALGREENS did not have any controlled substances on site.

[REDACTED]: This Scheduled Investigation for FY2016 was initiated and concluded on December 16, 2015. No violations noted.

3. Persons Interviewed and Individual Responsibility

On November 8, 2017, DI Smith and DI Grijalva presented their credentials and a Notice of Inspection of Controlled Premises, DEA-82 form, to Mr. Joe FERRY, Manager. Mr. FERRY was advised of his rights per 21 CFR 1316.08, Consent to Inspection. Mr. FERRY signed the Notice of Inspection. Mr. FERRY provided DI Smith and DI Grijalva with requested information during the course of the investigation (Enclosure 1).

4. Scope of Investigation

The on-site investigation was conducted on November 8, 2017. DI Smith and DI Grijalva learned that WALGREENS handles a variety of products, including controlled and non-controlled substances, which are distributed to various Walgreens pharmacies located in their area of responsibility. WALGREENS has contracted with AMERISOURCEBERGEN to distribute Schedules 2-5 controlled substances to WALGREENS retail stores. WALGREENS currently does not have any controlled substances on hand and has not ordered any controlled substances since June of 2013. DI Smith and DI Grijalva did not conduct an accountability audit due to WALGREENS not distributing controlled substances.

5. Record Keeping

Mr. Joe FERRY was responsible for maintaining all controlled substance records.

a. Initial Inventory

Mr. FERRY provided DI Smith and DI Grijalva with a copy of WALGREENS' last biennial inventory taken on December 30, 2016 at the close of business. It is noted the aforementioned inventory was a full physical inventory of all Schedules 2 through 5 controlled substances. The biennial inventory

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notates there were zero controlled substances on hand on said date(Enclosure 2).

b. Closing Inventory

DI Smith and DI Grijalva confirmed that there were zero controlled substance on hand at the firm. Mr. FERRY reiterated that WALGREENS does not anticipate ever ordering or storing any controlled substances in the future.

c. Receipts

DI Smith and DI Grijalva did not review any receipts due to there being no controlled substances ordered since the last scheduled investigation.

d. Production Records

n/a

e. Distribution Records

There were no Distribution Records to review.

f. Records of Returned or Damaged Goods

WALGREENS does not permit the return of controlled substances to their firm from any retail pharmacy locations. All returns are handled at the corporate office in Winsor, Wisconsin.

g. ARCOS

WALGREENS submits quarterly reports to the Target and Analysis Unit. All reports have been submitted on a timely basis. The last report submitted was in 2016.

h. Quotas

WALGREENS is not subject to quotas.

6. Drug and Equipment Security

a. Individuals with Access to Controlled Substances

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WALGREENS has a limited number of individuals allowed to access the Schedule 3-5 cage and the Schedule 2 vault. There are no controlled substances stored on-site. WALGREENS will establish a new list of employees when they decide to store and distribute controlled substances.

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 approximately 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.

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 the 9' level there are three walls with three magnetic contacts. There are two on the double door and one on the personnel door. On the north, south, and east walls there are a total of nine passive infrared (PIR) motion detectors.

At the 17' level there is one PIR motion detector in the northwest corner, three PIR motion detector's facing south down the aisle, three in the northeast corner, three in the Southeast corner, three facing north down the aisle, and three on west wall.

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In the center of the ceiling there are three 360 degree motion centers in center aisle.

Additional Security

There are three Potter Sound Accumulators on the east wall and two additional Potter Sound Accumulators; one on each vertical column facing the Mezzanine. There are a total of fifteen PIR motion detectors located above the ceiling of vault and three cameras in the vault (two on the doors at all times). One digital keypad with scrambler is also located in the vault area.

Schedule 3-5 Cage

There are a total of five cameras located in the cage where schedules 3-5 were stored; two in cage interior; one in air space outside vault; one in conveyor cat walk; and one above the cage ceiling. There are two 360 degree motion centers in the main cage area overlooking the work area, eight PIR motion detectors in Sprinkler Riser area, nineteen PIR motion detectors in main cage area, three magnetic contacts on doors, and three digital keypads with scramblers, one at each entry location.

Shipping Dock Caged Area

There are two contact switches on each entrance, one on the gate and one on the personnel door. There is one contact switch that signals to the alarm system and one that signals to the guard shack on site. There are three motion detectors positioned in each corner of the caged area approximately 16 feet above the floor; one pointed east/west along the north and south walls, one pointed north/south along the east and west walls, and one pointed horizontally over the mid portion of the caged area to cover the ceiling of the cage. One motioned detector is mounted at the 16' height on the east wall pointed westward to cover the middle portion of the cage. There is one tamper proof switch on the master control boxes and two digital keypads located at each entry location

Shipping Dock Rx Area

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There are several contact switches located throughout the shipping dock RX area. The RX area is apart of the perimeter system for the building, in addition to the contacts on the smoke hatches. All of the entrance openings into the Rx Room and the caged area are protected by card key access readers.

Rx Receiving Area

There are two personnel doors contacted, one roll up door contacted, two motion detectors covering the conveyor belts, four Motorola card readers, two doors in card-in/card-out configuration, and one card reader to open roll up doors.

Building Perimeter (including office area)

There are a total of 312 contacted roof smoke vents, two roof hatches with contacts, 49 perimeter man doors with contacts, 46 Roll up doors with contacts, and nine glass breakage sensors on 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 integrity protection via multiplex random encryption that polls on the average of every 30 seconds. The maximum time between a random pulse is less than 6 minutes for a UL rating at AA. The T-3100 UL System is in addition to a telephone dialer circuit. The alarm was not tested during the investigation due to controlled substances no longer being stored at the site.

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.

d. Controlled Substance Storage

Controlled Substance Vault:

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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 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 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

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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 2 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 was used to temporarily secure the Schedule 2 controlled substances when they were being received into or picked from the vault for distribution. The cage was used for temporary storage during the day when employees were present. Schedule 2 controlled substances were never 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.

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Along the West wall of the vault, between the vault and the exterior concrete block wall, is an area designated to 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 approximately 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 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 spaces 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

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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 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.

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.

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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.

10. Intelligence Information

WALGREENS did not provide any intelligence information.

11. Foreign Suppliers and Customers

The firm has no foreign suppliers or customers.

12. Discrepancies and Discussion with Management

On November 8, 2017, DI Smith and DI Grijalva held a closing discussion with Mr. FERRY and reviewed the findings of the inspection. DI Smith and DI Grijalva informed Mr. FERRY that the inspection was completed with no violations. Mr. FERRY reiterated that WALGREENS has no desire to handle controlled substances and will continue to operate without them. Mr. FERRY explained that they would like to keep their DEA registration.

13. Verifications

Verifications were not conducted due to the firm not having any controlled substances.

14. Special Assignments

No authentic samples were collected, and no special assignments were conducted during this inspection.

INDEXING

1. WALGREENS CORPORATION - [REDACTED]

Remarks: Completed scheduled investigation for FY18 Work plan; no violations noted.

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2. AMERISOURCEBERGEN - [REDACTED]

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

3. Joe FERRY - [REDACTED]

Remarks: Manager for WALGREENS CORPORATION.