

**SAN BERNARDINO COUNTY
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR
INTERNAL AUDITS DIVISION**



**DEPARTMENT OF PUBLIC WORKS – SPECIAL DISTRICTS:
BIG BEAR ALPINE ZOO MEDICATION INVENTORY AUDIT**

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Department of Public Works – Special Districts: Big Bear Alpine Zoo Medication Inventory Audit

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Auditor–Controller/Treasurer/Tax Collector

February 10, 2022

Brendon Biggs, Director
Department of Public Works
825 East Third Street
San Bernardino, CA 92415

RE: Department of Public Works – Special District: Big Bear Alpine Zoo Medication Inventory
Audit

We have completed an audit of the Department of Public Works-Special Districts Big Bear Alpine Zoo’s (Department) Medication Inventory Audit for the period of January 1, 2020, through October 31, 2020. The primary objectives of the audit were to determine whether the internal controls over medical inventory at the Big Bear Zoo are in place and effective and to determine whether inventory is recorded and secured. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on December 8, 2021, and discussed our observations with management on December 21, 2021. The Department’s responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at the Department of Public Works – Special Districts Division, who assisted and cooperated with us during this engagement.

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Respectfully submitted,

Ensen Mason CPA, CFA
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By:

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Summary of Audit Results

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	<p>Segregation of duties could be improved.</p> <p>We recommend management review staffing assignments and develop procedures that will segregate duties for the ordering, receiving, and reconciliation counts to mitigate the risk of theft or loss over the drug inventory process. In developing such procedures, management would decrease the likelihood that any single person could conceal errors or irregularities.</p>	6
2	<p>Individual substance logs were not properly maintained.</p> <p>We recommend management conduct periodic inventory counts of controlled and non-controlled medications throughout the year to verify existence and value. The existence and value of assets should be periodically verified and reconciled with prior records. We further recommend the Zoo conduct an inventory count as soon as possible to ensure all medications were transferred following the Zoo's relocation.</p>	7
3	<p>Procedures were not written for controlled and non-controlled substances.</p> <p>We recommend management develop, implement, and communicate official procedures for day-to-day activities over medical inventories for both controlled and non-controlled substances to employees. We also recommend management ensure procedures are updated and kept in a centralized location.</p>	8

INVENTORY AUDIT

The Department

The Big Bear Alpine Zoo currently operates under the Department of Public Works. In 2000, the Department of Public Works was established by bringing together several departments including Transportation, Flood Control, Solid Waste, and Surveyor under one departmental structure. In 2020, Special Districts became a Division under the Public Works Department. The primary mission of the Department is to enhance the quality of life in San Bernardino County communities by developing and maintaining public infrastructure and providing a variety of municipal services that complements the County's natural resources and environment. The Big Bear Alpine Zoo (Zoo) currently operates under the Department of Public Works.

Established in 1959, the Zoo is a rehabilitation facility offering injured, orphaned, and imprinted wild animals with a safe haven; temporarily while they heal or permanently as they are unable to survive on their own. The Zoo receives approximately 133,000 visitors annually. In 2020, the Zoo relocated to a new location within the city of Big Bear Lake. Additionally, the Zoo is home to over 85 different species of animals with the primary objective to rescue, rehabilitate, and release wild animals.

Medication Process

The Zoo adheres to guidelines placed by the California Veterinary Practice Act (CVPA) and the Drug Enforcement Administration (DEA) to ensure that controlled and non-controlled medications are properly managed.

The Zoo's purpose as a medical facility is to assist the animals with rehabilitation for re-release into the wild and to assist animals that are unable to be re-released. Non-controlled medication can be part of an animal's daily nutrition, seasonal preventative measures, or over-the-counter medication that is also safe for animal consumption. Controlled medication is reserved for emergencies, animal surgeries, or for high pain medication.

Scope and Objectives

Our audit examined the controls over the medication inventory for the period of January 1, 2020, through October 31, 2020.

The objectives of our audit were to:

- Determine whether controls over the inventory were in place and effective
- Determine whether inventory is recorded and secured

Methodology

In achieving the audit objectives, the following audit procedures were performed including but not limited to:

- Review of applicable laws, regulations, and the Zoo's policies and procedures
- Interviews of Department staff on policies and procedures
- Walkthrough of activities to gain an understanding of the processes
- Physical examination of inventory and locked key controls
- Examination of documentation related to monitoring and administration of controlled substances

Finding 1: Segregation of duties could be improved.

The Internal Controls and Cash Manual (ICCM) Chapter 2-3 "Segregation of Duties" states no one person should be assigned concurrent duties that would allow him/her complete control over a transaction or an asset. Effective segregation of duties reduces the risk that any one person could perpetrate and conceal errors and irregularities in the normal course of his/her duties. The custody of assets should be separated from the record keeping related to these assets; authorization of transactions should be separated from the execution of the transactions; planning should be separated from operations; computer programming should be separated from computer operations.

While conducting our walkthrough visit, we noted that the Department's drug logging process, as well as the annual inventory count were conducted by the Registered Veterinary Technician (RVT). While the veterinarian had the final approval over purchases, the ordering and receiving processes were conducted by the RVT. Without segregation of duties, there is an increased risk that any one person could perpetrate and conceal errors and irregularities in the normal course of his/her duties.

Recommendations:

We recommend management review staffing assignments and develop procedures that will segregate duties for the ordering, receiving, and reconciliation counts to mitigate the risk of theft or loss over the drug inventory process. In developing such procedures, management would decrease the likelihood that any single person could conceal errors or irregularities.

Management's Response:

To increase accountability, Big Bear Alpine Zoo will implement changes to ordering, receiving, and reconciliation of controlled and non-controlled inventories. A total and complete inventory of both controlled and non-controlled drugs will be administered by the current RVT and the Veterinarian of Record present to ensure accuracy and establish a new starting inventory going forward. A controlled substance handling protocol has been established.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies identified in the finding.

Finding 2: Individual substance logs were not properly maintained.

The ICCM Chapter 2-3 "Recording" states all transactions and pertinent events should be accurately and properly recorded on documents and records. Sufficient and relevant data should be recorded to provide an audit trail and to document evidence that a transaction took place. Additionally, according to ICCM Chapter 2-4 "Safeguarding of Assets", assets should be recorded and access to and use of valuable assets should be controlled. ICCM Chapter 2-4 "Periodic Reconciliation" states the existence and value of assets should be periodically verified and reconciled with prior records. Lastly, the DEA Title 21 Code of Federal Regulations §1304.11 states each inventory shall contain a complete and accurate record of all controlled substances on hand on the date the inventory is taken and shall be maintained in written, typewritten, or printed form at the registered location.

Of the ten individual substance logs tested, we identified the following conditions:

- There was one exception where the individual substance log was not present for a controlled substance.
- There were no log records kept for the five non-controlled substances tested.
- An inventory count had not been conducted following the Zoo's move to their new location.

While the DEA regulations do not require a log or record for non-controlled substances, the ICCM requires that all assets should be tracked. Therefore, the facility did not have sufficient records of non-controlled inventory. The risk of potential loss or theft of medications increases when inventory counts and reconciliations are not completed on a regular basis, and at other times as needed, such as during a relocation.

Recommendations:

We recommend management conduct periodic inventory counts of controlled and non-controlled medications throughout the year to verify existence and value. The existence and value of assets should be periodically verified and reconciled with prior records. We further recommend the Department conduct an inventory count as soon as possible to ensure all medications were transferred following the Zoo's relocation.

Management's Response:

The Department has established Controlled Substance Management Protocols, which includes a procedure for the attending veterinarian and RVT to conduct an inventory reconciliation together once every six months. The non-controlled substances inventory will be generally maintained, but log records for each non-controlled substance like what is established for controlled substances would exceed the nominal value of the assets.

A review of the controlled substances that were transferred from the previous Zoo location has been completed where the remaining inventories were compared against written logs. No discrepancies were observed.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies related to the controlled substance logs and the inventory counts. The Department has accepted the potential risk of not maintaining log records for non-controlled substances.

Finding 3: Procedures were not written for controlled and non-controlled substances.

The ICCM Chapter 2-2 "Control Environment and Procedures" state control procedures are effective only in a supportive control environment, which includes elements such as management's philosophy and operating style and personnel policies and practices.

Although the Department follows federal and state regulations, written procedures were not in place for the storage and inventory of controlled and non-controlled substances. Well-documented policies and procedures are important to ensure continuity of operations and training when employee turnover occurs.

Recommendations:

We recommend management develop, implement, and communicate official procedures for day-to-day activities over medical inventories for both controlled and non-controlled substances to employees. We also recommend management ensure procedures are updated and kept in a centralized location.

Management's Response:

A Controlled Substances Management Protocols will be implemented for the day-to-day prescribing, dispensing, administering, ordering, and inventory of controlled substances which strictly adheres to legal guidelines imposed by the DEA and the California Veterinary Medical Board; the governing agencies that oversee such practices. This written protocol will be communicated and will be kept within the current animal care building, in a common area in a binder. A general inventory of non-controlled medication will be kept in close proximity to their storage and reviewed on a regular basis.

Auditor's Response:

The Department's actions and planned actions will correct the deficiencies identified in the finding.