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To: Brenda Goodman, Deputy Associate Director, Office of Health Services
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From: Kathy A. Buller, Inspector General

Date: August 26, 2013

Subject: Capstone Report: 2012 Medical Inventory Issues

Transmitted for your information is our Capstone Report on 2012 Medical Inventory Issues. This report identifies medical supply issues that have continued to be problems for posts and require management's attention to help remediate. In this report we issued four recommendations to address systemic weaknesses.

Recommendations are tracked in TeamCentral to document corrective action and upload documentation supporting any actions planned or implemented to address the recommendations. Recommendations may remain open either because of inadequate responses or responses that do not document the actions taken. Open recommendations are tracked by the chief compliance officer, who is responsible for assuring that actions are documented and advising us when the action has been confirmed.

The legislation, as amended, creating the Office of Inspector General requires that we report to Congress semiannually on all reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

Attachment

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Peace Corps
Office of Inspector General

FY 2012 Medical Supply Accountability Audit Locations

Capstone Report:
2012 Medical Inventory Issues

August 2013

EXECUTIVE SUMMARY

BACKGROUND

The Office of Inspector General (OIG) conducted eight audits and one review of Peace Corps posts abroad (hereafter referred to as "the posts") during fiscal year (FY) 2012. We specifically looked at medical supply accountability at the posts and the issues we identified are summarized in this capstone report. See the Background section and Appendix A for list of the posts and related reports.

OBJECTIVES

Our objective in auditing medical supply accountability was to evaluate the posts' implementation of Peace Corps policy and procedures, determine compliance with laws and regulations, and identify improvements to controls. This capstone report summarizes the medical supply reviews we conducted at nine Peace Corps posts in FY 2012. Appendix A provides a full description of our audit objective, scope, and methodology.

RESULTS IN BRIEF

The medical supply process requires post staff to receive, dispense, and dispose of medical supplies; country directors manage the process by ensuring assigned individuals understand their roles and enforcing Peace Corps policies. Our FY 2012 work found that the posts' medical inventory systems required improvement in a number of areas and did not fully comply with agency policy. Additionally, we noted recurring issues with inadequate separation of duties, lack of physical security over medical supplies, undocumented medical supply transfers, insufficient inventory reconciliations, and inaccurate medical supply inventories.

The Office of Health Services (OHS) has made improvements through its policy and guidance, training, and oversight. However, OHS needs to provide more training on the various roles in medical supply management and regional management must hold country directors accountable for poor medical supply management.

Posts must maintain appropriate levels of medical supply inventory to provide quality Volunteer medical care. Peace Corps policy establishes the controls over the procurement, receipt, storage, dispensation, and disposal of medical supplies. The controls are designed to ensure Volunteers' medical needs are met in a timely manner, that medical supplies are not expired and are authentic, and that medical supply inventory records are accurate and complete. Failure to fully implement medical supply policies creates opportunities for theft, diversions, waste, or other abuses at the posts that could have a serious negative impact on Volunteers' health.

RECOMMENDATIONS

This report contains four recommendations[1] directed to headquarters offices, which if implemented, should further strengthen internal control and correct the deficiencies agency-wide.

[1] We made a total of 24 recommendations about medical supply in the nine post audits we conducted during FY 2012. See Appendix C for the status of those recommendations.

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BACKGROUND

Our objective in auditing medical supply accountability was to evaluate the posts' implementation of Peace Corps policy and procedures, determine compliance with laws and regulations, and identify improvements to controls. This capstone report summarizes the medical supply reviews we conducted at nine Peace Corps posts in FY 2012. Appendix A provides a full description of our audit objective, scope, and methodology.

All Peace Corps posts maintain a medical office to provide care to Volunteers during their service. The medical office provides Volunteers with needed vaccinations, medications, and routine and emergency care. The Peace Corps spends over $4.5 million a year on medical supplies for posts worldwide, including controlled substances, specially designated supplies, and other medical supplies. Our FY 2012 audit and investigative work demonstrated that agency management needs to place stronger emphasis on improving accountability of medical supplies. In addition, we reported medical inventory as a management and performance challenge in the agency's FY 2012 *Performance and Accountability Report*. This capstone report highlights related issues identified at the posts and makes additional recommendations to Office of Health Services (OHS).

Policy. OHS established written policies and procedures through the *Peace Corps Manual* section (MS) 734, "Medical Supplies and Equipment," and its related Technical Guidance (TG) 240, "Medical Technical Guidelines." MS 734 and TG 240 establish the requirements to maintain effective controls and procedures that govern the medical supply process and to implement special standards applicable to controlled substances. Specifically, the policy and procedures require proper safeguarding of supplies; separation of duties; recording and tracking the receipt, dispensation, disposal, and transfer of all controlled substances[2] and specially designated medical supplies; and an annual submission of the inventory and quarterly workbooks.

Recent Initiatives. In FY 2012, OHS enhanced its policies and procedures regarding medical supply inventory by issuing additional TG and providing training on the guidance to country directors (CD), Peace Corps medical officers (PCMO) and other staff abroad. OHS also further enhanced its support to posts by providing on-site assistance to four posts and performing detailed analyses of medical supply inventory submissions from all posts. OHS management has also been reviewing options for automating elements of medical supply inventory, which could potentially strengthen accountability.

[2] Controlled substances are federally-regulated medicines included on the controlled substances schedules issued by the U.S. Drug Enforcement Administration (DEA). Specially designated medical supplies are items that OHS deems to be high value, pilferable, or otherwise deserving of special attention. OHS is responsible for labeling particular medical supplies as specially designated.

AUDIT RESULTS

CONTROLS IN THE MEDICAL SUPPLY PROCESS

Posts struggled to implement the medical supply policy at different times throughout the medical supply lifecycle.

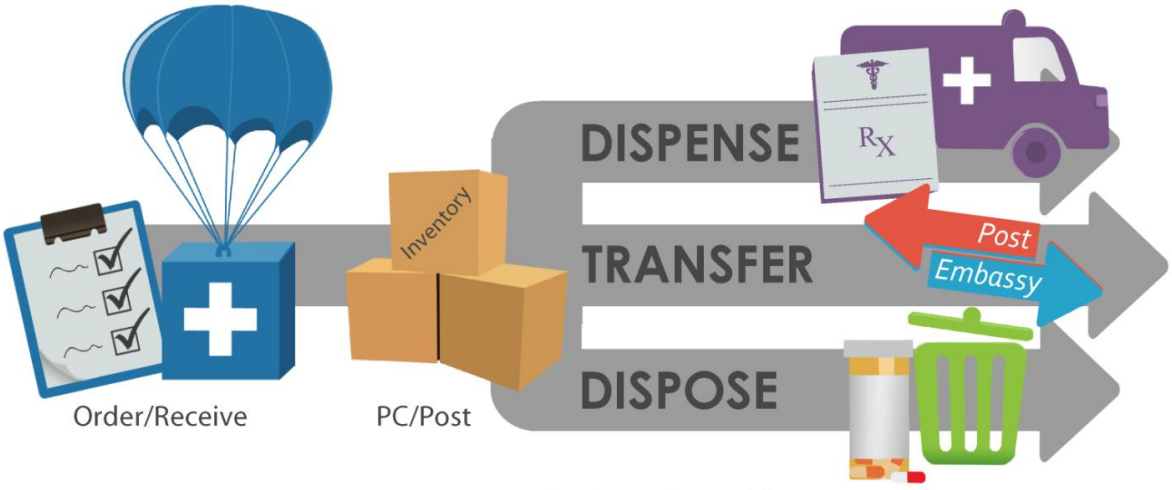
According to TG 240:

> The Country Director (CD) manages operations at post and is responsible for providing an appropriate working environment for the operation of the post Medical Office. The CD is responsible for the physical security of the Medical Office and to assure that effective controls for medical supply management are in place through appropriate segregation of duties, secure storage, and periodic inventories.

The CD is responsible for the inventory process, including ensuring that inventory workbooks are completed in a timely manner, enforcing separation of duties, and ensuring staff have sufficient understanding of their roles and responsibilities in regard to their inventory duties. However, we found that CDs were not sufficiently involved in the medical supply inventory process and were not adequately monitoring compliance with policies. Further, CDs did not always hold employees accountable for performing their inventory responsibilities. This lack of oversight contributed to opportunities for malfeasance or misconduct and increased the risk that loss from theft, waste, or abuse of medications would go undetected.

The CD should ensure that the Peace Corps policies are implemented and controls operating effectively throughout the medical supply process. The post should order and stock the necessary medical supplies, properly dispense medicine based on need, and transfer or dispose of excess medicine. Further, every transaction in this process should be properly recorded in the medical supply workbook and controlled substance log and reconciled during physical inventory count.

Figure 1. Illustration of Medical Supply Workflow



Peace Corps Medical Supply Workflow

Separation of Duties. The posts did not always establish proper separation of duties related to accountability over medical supplies, and management did not enforce the policy. According to the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* separation of duties entails dividing key duties and responsibilities among different people. Implemented effectively, this type of control reduces the risk of error and fraud so that no single individual can adversely affect the accuracy and integrity of the inventory.

TG 240 states:

> The CD is responsible for the … segregation of duties, secure storage, and periodic inventories. The Medical Inventory System is comprised of a process that emphasizes separation of duties between the medical office and administrative staff not working in the medical office, followed by quarterly reconciliation and annual reporting. Various forms, personnel, offices and procedures are necessary to maintain a medical inventory system within a post.

The policy requires the post to separate duties as follows:

- the CD oversees the process and controls at post;
- the PCMO manages the medical supplies;
- the acceptance point clerk (APC) verifies receipt of supplies;
- the MSICC records all medical supply transactions in the medical supply workbook; and
- the inventory reconciliation clerk (IRC) compares and reconciles the medical supply workbook with the amounts on hand.

We routinely found that CDs had not formally designated inventory roles to staff, as required by Peace Corps policy. Further, staff at some posts had circumvented the established segregation of duties of the medical inventory process.

South Africa. The CD had not designated an IRC to conduct quarterly inventory counts and reconciliations. In addition, staff members in the medical unit who performed duties relating to the medical supplies did not understand their specific roles and responsibilities.	**Jordan.** The CD had not designated an IRC to conduct quarterly inventory counts and reconciliations. --- **Lesotho.** The CD had not designated an APC to verify the receipt of medical supplies.	**Burkina Faso.** The CD had not designated an APC for almost two years. Even after assigning the role in March 2012, the APC did not verify the receipt of medical supplies procured locally; rather only those received through the U.S. Embassy.

Ordering and Receiving. The PCMO is responsible for determining what medical supplies are needed and appropriate to procure for the post. TG 240 instructs the PCMO to consider various factors, such as previous supply orders, availability of supplies locally,[3] and special medications or supplies needed for Volunteers when making these determinations. Some posts have developed their own process for establishing stock levels and when to reorder. We found, however, that posts are

[3] Posts may purchase medical supplies locally only when authorized by Office of Health Services and never for controlled substances.

inconsistent in their methodology and often reorder based on sight instead of calculating the stock level based on historical usage and anticipated needs. For example, PC/Burkina Faso did not have a system to determine the quantity of medical supplies needed and did not allow adequate time to receive orders from headquarters before they were needed. While TG 240 provides factors to consider, the procedure could be enhanced by providing analytical methodology for calculating when and how often to order common medical supplies. For example, WHO's *Handbook of Supply Management at First-Level Health Care Facilities*, provides steps on how to order supplies based on past consumption and how to establish reorder levels with enough lead time to ensure shipments arrive when needed.

Once the medical supplies are received by post, the APC opens supply shipments and check the contents in the presence of the PCMO, or medical staff designate. According to TG 240, "The APC works with staff to ensure that newly received medical supplies and equipment are properly recorded in the Inventory Workbook of the Medical Inventory System." Having the PCMO present for receipt of medical supplies is important to ensure the items match what was ordered and that any damaged or expired items are identified. At PC/South Africa only the APC signed the receipt for controlled substances without the PCMO's signature as a witness.

Physical Security. Once the supplies have been received and recorded, the medical staff should place the medical supplies in a safe and secure location. Sound physical security is essential to protect government property from loss due to theft and the potential abuse of medical substances. MS 734 states:

> Country Directors must provide secure storage for all medical supplies that are specially designated or controlled substances. Secure storage must provide effective controls and safeguards against theft and diversion. Controlled substances must be kept in a bar-locked cabinet with a three-way combination lock.

We found serious deficiencies with the posts' physical security. Without functioning physical security controls in place, the posts were not able to ensure that medical supplies were adequately safeguarded against theft and abuse, jeopardizing the availability of medical supplies in stock that are necessary for providing critical care to Volunteers. We found physical security issues with safeguarding specially designated medical supplies and controlled substances, which could be specific targets of theft and abuse.

South Africa. The post kept the storage room door unlocked during the day allowing unauthorized access and increasing the risk of theft or other losses.

Lesotho. The post stored commonly used office equipment in the pharmacy, increasing the risk that unauthorized staff needed access.

PC/Lesotho
Medical Supply Room

Burkina Faso. Medical supplies designated for disposal, including some specially designated drugs, were left unsecured with access by custodial and maintenance staff.

The inventory listed for destruction did not match the quantity of medical supplies in boxes designated for disposal.

Posts routinely stored controlled substances outside of the designated controlled substances cabinet. MS 734 requires that all cabinets containing controlled substances be secured with a bar lock and a three-way combination lock known only to the PCMO.

Costa Rica. The PCMO kept the controlled substances in a locked file cabinet within the medical office. However, the cabinet was not bar-locked. The same area was also used to store medical files that the medical assistant needed to frequently access.	**Lesotho**. The post stored non-medical supplies in the medical supply storage room, increasing the risk that unauthorized staff would have access to the pharmacy.	**South Africa.** The controlled substance cabinet was not bar-locked and controlled substances marked for disposal were kept in an unlocked plastic bin on the pharmacy floor.

Dispensing. Administering medication and treatment can only be done by trained medical professionals. The Peace Corps, through TG 114 and trainings, has made improvements in defining the scope of practice and responsibilities of the PCMO according to their clinical credential. However, at PC/Burkina Faso we found that the medical secretary inappropriately dispensed medical supplies to Volunteers without required prescription forms. The Volunteers could submit a form requesting medical supplies and the medical secretary would fulfill the request without involving the PCMO. One of the PCMOs was fully aware of the medical secretary's improper role in dispensing to Volunteers and participated in the improper procedure. Only the PCMO at post has access to Volunteer medical records and understands Volunteers' medical histories and needs. The medical secretary did not have the medical expertise to properly dispense medical supplies and would not know whether the medical supplies were necessary and safe for Volunteers. Permitting anyone other than a trained medical professional to dispense medical supplies jeopardizes the health and safety of Volunteers.

Permitting anyone other than a trained medical professional to dispense medical supplies jeopardizes the health and safety of Volunteers

Transferring. When post has excess supplies it may transfer them to other posts or the U.S. Embassy, but must fully document the exchange to prevent medical supplies from being lost or stolen during the transfer. According to TG 240:

> Transfer or exchange of excess medical shelf life items, including controlled substances, is authorized from Peace Corps posts to other posts or the U.S. Embassy. . . . A signed inventory receipt from the receiving agency must document transfer of medical supplies and controlled substances to the Embassy. This document must be forwarded to the Director of the Office of Medical Services, and the M/AS. A copy of the transfer documents must be provided to the MSICC. Under no circumstances must any medical supply be donated to organizations other than U.S. government agencies.

Our work found that posts were not always following policy and documenting the transfers. For example, PC/Burkina Faso received approximately 328 medical supply items with an estimated cost

of $52,000 from PC/Niger[4] but did not verify that the supplies received matched the list provided by PC/Niger. The PCMO prepared a separate list without explaining why the supplies shipped did not match their list of supplies received. Further, the post donated many of the supplies to outside organizations, allegedly through the U.S. Embassy. The post failed to properly conduct or document the transfer and U.S. Embassy officials deny they accepted the donated medical supplies. Another post, PC/Malawi, transferred medications to the British Embassy without obtaining a written confirmation or receipt. Further, the post did not follow policy and notify OHS of the transfer.

Disposing. When pharmaceuticals expire it is important to dispose of them properly and timely to prevent accidentally dispensing unsafe medicine to Volunteers. This process must be conducted in the presence of the PCMO and CD to ensure safety procedures are followed and that supplies are not marked for disposal to hide a loss or theft. TG 240 states:

> Medical supplies . . . with expired shelf life must be destroyed in the presence of the PCMO and the CD, in accordance with local waste disposal and air and water pollution control standards. Disposal documentation . . . must be retained in post files as per the Peace Corps records schedule, and a copy provided to the MSICC.

Mali. The PCMO disposed of some expired medical supplies, including controlled substances, by flushing them down the toilet. Flushing the expired medical supplies is not an authorized method of disposing medical.	**Costa Rica.** The CD signed the disposal forms without observing the medication transfer to the medical unit for disposal.	**Lesotho.** The post did not dispose of expired drugs in a timely manner. Seven expired drugs had remained on the shelf and in the post's medical supply inventory for two to five years past expiration.

Inaccurate and incomplete inventory records can result in excessive medical supply stocks for some items and shortages of others.

Record Keeping. The MSICCs were not always recording additions and dispensation in their inventory workbooks on a timely basis. Timely inventory updates are needed through the medical supply process to ensure the medical unit staff have accurate and reliable inventory balances to make decisions on ordering and to prevent theft or misuse. As a result, the medical supply inventory records were often incomplete and inaccurate.

Accurate and complete inventory records provide a foundation for the decisions medical unit staff make to purchase medical supplies. Inaccurate and incomplete inventory records can result in excessive medical supply stocks for some items and shortages of others. This lack of oversight increased the posts' vulnerability to theft or abuse of medical supplies. It also prevented posts from making the inventory planning decisions needed to provide high quality medical support to Volunteers. MS 734 states:

> A Medical Inventory System must be maintained by the MSICC at each post. It is the official record of specially designated or controlled substances at the post. The Medical Inventory Systems must record all specially designated and controlled substance medical supplies received, stocked, and distributed at post.

[4] The agency closed the PC/Niger post in January 2011.

We selected a judgmental sample of medications from the posts' official medical supply inventory workbooks and performed a physical count of the on hand items in their pharmacies. We identified significant discrepancies at six out of the nine posts between the medical supply book inventories and the actual on hand count. In addition, the posts' inventory workbooks did not contain an explanation of significant discrepancies and the medical unit staff were often unable to explain them.

Malawi. The MSICC did not enter receipt and dispensation into the workbook, resulting in inaccurate balances. --- **Costa Rica.** The PCMO only applied MS 734 to controlled substances. Specially designated items were not being tracked by the MSICC.	**Burkina Faso.** The MSICC did not update the inventory workbook. The MSICC did not know the accurate "unit" of medicine or the generic name of brand name medicines. The IRC witnessed the physical count but did not compare the results to the workbook.	**Lesotho.** The PCMO did not use the proper form for dispensing medical supplies and the MSICC did not maintain a separate medical supply inventory record. --- **Mali.** The MSICC did not accurately record the receipts, issues, and balances for non-controlled substances. Instead, the PCMO conducted monthly counts to replenish medical supplies.

Inventorying Controlled Substances. Two of the posts were not maintaining proper inventory systems of controlled substances, including maintaining the documentation required by the Drug Enforcement Agency (DEA). MS 734 states:

> Each Medical Office must maintain, on a current basis, a complete and accurate record of each controlled substance's dispensation or disposal. Records for all controlled substances must also be maintained in a separate DEA Log with secure pages.

PC/South Africa did not maintain a DEA log book for two recently disposed controlled substances. The post did not have documentation to support how these controlled substances were acquired and the reason for their disposal. The APC recorded the controlled substances in the receipt log by invoice number. As a result, it was not possible to identify the specific quantities received. PC/Burkina Faso misinterpreted the policy and thought that the inventory workbook was a replacement of the DEA logbook and did not have a complete and accurate DEA logbook to record the dispensing of controlled drugs.

Physical Inventory Count. Deficiencies in the posts' physical count process increased the risk of inaccurate and incomplete inventory counts. The policy and procedures did not provide sufficient guidance on how to conduct detailed pre-inventory activities, such as how to properly cut off inventory transactions, and post inventory reconciliations.

MS 734, Section 8.0, provides the following, limited instruction for performing physical counts:

> The CD must require the IRC to conduct a physical inventory of controlled substances and specially designated items each quarter. The IRC must conduct a physical inventory and document the results in the Inventory Workbook on a quarterly basis. (Regarding the discovery of loss or theft of controlled substances, see section 23 below.)

GAO's *Executive Guide: Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property* (GAO-02-447G) provides a list of necessary steps before conducting an inventory to ensure the inventory counted includes all the items that should be present. Pre-inventory activities include preparing the physical location, organizing work areas and storage locations, identifying and segregating items, ensuring that all inventory items have labels or some form of identification, verifying that items are in the correct location, pre-counting slow moving items, and identifying excess/obsolete inventories.

We found instances where posts did not have proper pre-inventory practices, making it more difficult and time consuming to count the medical supplies and reconcile the records. We observed that posts commonly organized the same medications in different locations at the post. For example, at PC/Malawi, the medical unit maintained plastic bins to hold specific medications ready for dispensation to certain Volunteers. These items were usually not added back to the inventory before counts took place. Storing medications in different locations during the inventory count may pose a challenge for IRCs, who are required to work outside of the medical unit and therefore may be unfamiliar with medical supply organization or the inventory process. We have also identified posts that did not keep their medical supplies orderly. Lack of organized storage can also present unnecessary challenges and burdens on the IRC when physical counts are performed. PC/Lesotho's medical supplies were not well organized, making it difficult to identify lost or otherwise unaccounted for supplies.

The posts did not conduct adequate research for discrepancies identified when physical counts were performed by the IRC. The policy was not clear on the process for researching, resolving, and reporting. This is especially concerning because some of the posts demonstrated large discrepancies when we took a physical count onsite. For example, at PC/Malawi 14 of the 30 specially designated medications we counted were inaccurate, some had variances over 50 percent of what was recorded in the inventory workbook. Post staff were unable to explain the cause of the discrepancies. According to the GAO's inventory best practices, researching discrepancies is important because variances may indicate that something is wrong with the inventory system or the operations that affect inventory balances. Identifying the causes of variances is useful in detecting weaknesses in the underlying controls and individual processes that affect the inventory system record. In addition, inventory record on-hand balances should not be adjusted until recounts and research are complete.

Researching discrepancies is important because variances may indicate that something is wrong with the inventory system

TG 240 requires IRCs to report to the CD any discrepancies in the post's medical inventory regarding controlled substances and specially designated items and to reconcile differences, such as any errors identified or omissions of information in one record or another or patterns of errors or omissions. However, the IRCs were not provided training or further guidance on how to research or resolve discrepancies. IRCs may have limited experience performing physical inventory counts or with the inventory process and may need the assistance of other staff involved in the process (such as the PCMO, MSICC, and APC) to research the discrepancy. Further, TG 240 did not require CDs to explain discrepancies to OHS, only to report the figure.

HEADQUARTERS OVERSIGHT AND MANAGEMENT

Peace Corps headquarters continues to provide additional guidance and training on the medical supply policies. However, additional training and greater oversight would improve compliance.

OHS manages the health care system for Volunteers and relies on CDs and PCMOs to implement the guidance and follow requirements. A good control environment and monitoring are essential for OHS to effectively manage medical operations throughout the world. According to GAO's *Standards for Internal Control in the Federal Government*:

> Control Environment - Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management. . . .

Included in the control environment are how staff perceives their role in establishing and maintaining good controls and how an agency trains and evaluates its personnel on their roles. It also includes providing a proper amount of supervision. Region and OHS did not effectively enforce policy and did not hold CDs accountable when inventory positions were not appropriately assigned, inventory counts were inaccurate, or when separation of duties were not properly implemented.[5] Accountability within an organization should exist from the top of the organization to the lowest level.

Monitoring Post Compliance. OHS's primary mechanism for monitoring the posts' compliance with policy is the annual inventory workbook submissions. GAO's *Standards for Internal Control in the Federal Government* defines monitoring:

> Internal control monitoring should assess the quality of performance over time . . . . Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

However, of the 67 posts that submitted the inventory workbooks to OHS for FY 2012, only 26 inventory workbooks were considered acceptable by OHS. Although response rates improved in FY 2013 OHS continued to find significant discrepancies that were not adequately explained by posts. OHS uses this information to identify posts with significant discrepancies and frequent inaccuracies. In addition, OHS staff have communicated and visited posts that had significant discrepancies to provide additional support and training. We found this monitoring to be valuable in helping ensure policies are followed. Enhancing headquarters oversight demonstrates the importance of good controls and will improve overall compliance. OHS should consider enhancing their monitoring by receiving the quarterly inventories to review significant deficiencies and trends and track the causes of discrepancies over a period of time to identify systemic issues.

[5] Peace Corps posts report to one of three regions: Africa, Inter-America Pacific, and Europe, Mediterranean, and Asia. While OHS manages the overall agency medical operations, Region supervises and manages CDs.

Training on Various Roles. Post staff continued to struggle with implementing the procedures and needed additional training and procedures related to the medical supply inventory process and their roles and responsibilities. OHS provided training to PCMOs at their annual continuing medical education conference. They also trained CDs and DMOs on the process during overseas trainings. However, CDs assign the various roles of APC, MSICC, and IRC to staff outside the medical unit, who are not always familiar with the medical supply process. It is then incumbent on the CD or PCMO to instruct staff on their responsibilities. To ensure policies are implemented consistently, OHS should provide additional training or guides on the various functions.

Enhancing Controls over All Medical Supplies. OHS requires posts to track 83 medical supplies that are either controlled substances or specially designated supplies that OHS deems to be high value, pilferable, or otherwise deserving of special attention. Through TG 240, OHS clearly defined the method and official record that posts maintain an accurate account of controlled substances and specially designated items through medical supply receipt, distribution, and disposal. OHS reviews the list of specially designated supplies each quarter but did not have predefined criteria to support the decision of what to include.

We determined that the majority of medical supplies were not classified as controlled substances or specially designated and therefore were not tracked or controlled using the TG 240 requirements or through another process. However, the Peace Corps was not able to easily quantify how many medical supplies were categorized as controlled substances, specially designated, or other. This makes it difficult to determine how much of the total costs are being tracked and whether specific medical supplies that may be significant in total costs were excluded from the TG 240 procedures.

The total cost of the medical supplies that are not tracked using TG 240 procedures should be considered when developing control mechanisms. For tracking medical supplies that are not controlled or specially designated, some posts use mechanisms such as stock cards and spreadsheets. According to the World Health Organization (WHO) *Handbook of Supply Management at First-Level Health Care Facilities*:

> There should be a stock card for each item [6] in your store. Keep the stock card with the item on the shelf. Use the stock card to track the movement of the item. Record when and how the item is used. This includes all movements, such as when a new shipment of an item arrives at the store, when an item is moved out of the store room to the dispensary, or when an item is dispensed directly to a patient.

The use of stock cards or other inexpensive methods of tracking can help safeguard the less vulnerable supplies. When OHS conducted site visits the staff shared best practices and provided some alternatives to enhance supply management over the medical supplies that are not considered controlled or specially designated. However, OHS had not required any specific process nor documented these alternative methods of supply management.

In addition, OHS was in the process of procuring a system to manage medical supplies, which could enhance accountability and promote greater efficiency. The system will include an electronic medical inventory tracking component designed to index and track medical inventory

[6] Items may be counted individually, such as controlled substances, or as a unit, such as boxes of bandages.

received, dispensed, and destroyed at posts; identify minimal stock levels for reordering; collect input cost per items; and run analysis and reports from headquarters. Our audits will continue to monitor posts' medical inventories and whether the system remediates recurring issues.

LIST OF RECOMMENDATIONS

We recommend:

1. That the Office of Health Services develop and provide additional training and detailed procedures for the various tasks included in medical supply management, including recording transactions in the workbook and conducting inventories.

2. That the Office of Health Services track the total procurement of the different classifications of medical supplies: controlled, specially designated, and other. Additionally, that the Office of Health Services use this information to monitor the amount of medical supplies covered by the policies, to determine what is included in the list of specially designated medical supplies, and to establish appropriate controls for the different classifications.

3. That the Office of Health Services enhance the monitoring of medical supply inventories to include conducting additional analysis, requiring explanations for significant discrepancies, and assisting posts that continue to struggle with implementing procedures.

4. That the Office of Health Services communicate any significant issues identified with the post's compliance with medical supply policies to the regional management and that regional management take appropriate action to hold post staff accountable.

APPENDIX A

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in auditing overseas posts is to determine whether the financial and administrative operations are functioning effectively and complying with Peace Corps policies and federal regulations. This capstone report provides a summary of medical inventory issues we identified while conducting our FY 2012 post audits. Medical inventory issues are important to highlight because of their impact on both Volunteer safety and well-being, and the effectiveness of post operations. During FY 2012, we conducted the following audits of posts, which included a review of their medical supply accountability:

1. Report No. IG-13-05-A, Jamaica Final Audit Report (July 3, 2013)
2. Report No. IG-13-03-A, South Africa Final Audit Report (March 18, 2013)
3. Report No. IG-13-02-A, Malawi Final Audit Report (February 27, 2013)
4. Management Advisory Report, Breakdown of Internal Controls of Burkina Faso Medical Unit (September 26, 2012)[7]
5. Report No. IG-12-08-A, Tonga Final Audit Report (September 28, 2012)
6. Report No. IG-12-07-A, Jordan Final Audit Report (September 25, 2012)
7. Report No. IG-12-05-A, Lesotho Final Audit Report (June 29, 2012)
8. Report No. IG-12-04-A, Mali Final Audit Report (March 22, 2012)
9. Report No. IG-12-03-A, Costa Rica Final Audit Report (March 9, 2012)

See the individual reports for the audit standards and further details about the objectives, scope, and methodology. Our audit criteria were derived from the following sources: federal regulations, the *Peace Corps Manual*, *Overseas Financial Management Handbook*, *Medical Technical Guidelines*, and other Peace Corps policies and initiatives.

[7] This was a limited scope audit/investigation of only the post's medical inventory system.

APPENDIX B

LIST OF ACRONYMS

APC	Acceptance Point Clerk
CD	Country Director
DEA	Drug Enforcement Agency
FY	Fiscal Year
GAO	Government Accountability Office
IRC	Inventory Reconciliation Clerk
MS	*Peace Corps Manual* Section
MSICC	Medical Supply Inventory Control Clerk
OFMH	Overseas Financial Management Handbook
OIG	Office of Inspector General
OHS	Office of Health Services
PCMO	Peace Corps Medical Officer

APPENDIX C

STATUS OF FY 2012 MEDICAL SUPPLY RECOMMENDATIONS

Post	Status	Recommendation
PC/Costa Rica IG-12-03-A	*Closed*	That the Peace Corps medical officer store controlled substances in a bar-locked cabinet with a three-way combination lock and control access to the cabinet.
	Closed	That the medical supplies inventory control clerk include specially designated medical supplies on the medical inventory control log and ensure that the log contains accurate quantities and expiration dates.
	Closed	That the country director sign the medical supply disposal form only after observing the medical supplies transfer to the pharmacy.
	Closed	That the country director submit the medical inventory control log to the Office of Medical Services annually as required by *Peace Corps Manual* section 734 and *Medical Technical Guideline* 240.
PC/Mali IG-12-04-A	*Closed*	That the country director implement proper segregation of duties by assigning an individual outside the medical unit as the medical supply inventory control clerk.
	Closed	That the post implement the agency's medical supplies inventory policy by ensuring that the medical supply inventory control clerk maintains adequate medical inventory records. The inventory records should record all receipts, issues, and provide the current balance.
	Closed	That the country director perform a quarterly inventory count of medical supplies and controlled substances in accordance with the *Peace Corps Manual*.
	Closed	That the country director, in coordination with the Office of Medical Services, determine and use a proper method for disposal of expired medical supplies, including controlled substances.
PC/Lesotho IG-12-05-A	*Closed*	That the post designate a secured room for storing medical supplies and restrict its access to designated staff only.
	Closed	That the post conduct a complete physical inventory of medical supplies in accordance with agency policy and update the inventory records accordingly.
	Closed	That the country director assign someone who is not assigned to the medical office as the acceptance point clerk to receive medical supplies delivered to the post.
	Closed	That the country director and the Peace Corps medical officer dispose of expired medical supplies in a timely manner in accordance with Peace Corps policy.
PC/Jordan IG-12-07-A	*Closed*	That the post conduct inventory reconciliations of the recorded medical supply inventory in the health unit with the recorded inventory in the office's inventory workbook.
	Closed	That the country director ensure both the medical supply inventory control clerk and the acceptance point clerk verify the accuracy of received medical supplies and sign the receipt forms.
PC/Tonga IG-12-08-A	*None*	No findings related to medical supply inventory.
PC/Burkina Faso	**PENDING**	We recommend that agency management take immediate action to ensure that all Peace Corps posts have adequate internal control over their medical supplies by fully implementing the requirements of *Peace Corps Manual* Section 734 and *Medical Technical Guideline* 240.

APPENDIX C

PC/Malawi IG-13-02-A	*Closed*	That the country director clarify the roles and responsibilities of the medical system inventory staff and provide adequate training to perform their duties.
	PENDING	That the medical supply inventory control clerk begin a new copy of the medical inventory workbook every quarter using the adjusted beginning balances based on the previous quarterly inventory count and record all purchasing, dispensing, and disposing of specially designated medications and controlled substances in a timely manner.
	PENDING	That the medical supply inventory control clerk conduct a reconciliation of medical supplies and the inventory workbook and identify the reasons for the differences. That the country director monitor this process and initiate any needed corrective action
	PENDING	That the post discontinue transferring its medical supplies to foreign embassies and comply with *Peace Corps Manual* section 734 when transfers are made to the U.S. Embassy. To include obtaining written confirmation for all transfers and notifying the Office of Medical Services.
PC/South Africa	*Closed*	That the country director and the post's Peace Corps medical officers ensure that the medical supplies are secured in compliance with Peace Corps policy.
	Closed	That the country director review the medical supply inventory quarterly to ensure that staff record medical supply transactions accurately and completely and that any differences noted during the physical count are reconciled and corrective actions are taken.
	Closed	That the country director work with the Office of Health Services to determine whether the locally-developed medical inventory system is beneficial and in compliance with Peace Corps policy.
	Closed	That the country director ensure all controlled substances are properly received and recorded in a Drug Enforcement Agency log book.
	Closed	That the country director clarify the roles and responsibilities of medical and inventory staff, separate duties in accordance with Peace Corps policy, develop standard operating procedures, and provide training to medical staff on the accountability of medical supplies.
PC/Jamaica	*None*	No findings related to medical supply inventory.

DEFINITIONS

Acceptance Point Clerk (APC) is appointed by the CD and is responsible for receiving all medical supplies at post and coordinating initial inventory and transfer to the Medical Office. The APC works with both the Medical Supply Inventory Control Clerk (MSICC) and the PCMO to ensure that medical supplies are properly delivered and inventoried. The APC must not be a member of the Medical Office staff, and cannot serve as the MSICC Clerk. Further, the APC may not perform the quarterly inventory of medical supplies.

Controlled Substances are federally-regulated medicines included on the controlled substances schedules issued by the U.S. Drug Enforcement Administration (DEA).

Country Director (CD) manages operations at a post and is responsible for providing an appropriate working environment for the operation of the post Medical Office.

Inventory Reconciliation Clerk (IRC) is appointed by the CD and is responsible for the reconciliation of the recorded inventory in the health office and the recorded inventory in the office's Inventory Workbook. The IRC conducts a physical inventory of all controlled substances and specially designated items quarterly and reports results to the CD. In addition, an annual inventory report addressing all controlled substances and specially designated items must be conducted to document the March 31 inventory level, and submitted to Office of Health Services (OHS) no later than April 15, of each year. The IRC must not be a member of the medical office staff, and cannot serve in any other capacity related to the management of medical supplies and equipment inventory.

Medical Equipment includes basic medical office furnishings and diagnostic laboratory equipment necessary to support the operations of the Medical Offices. All Peace Corps-owned professional equipment is the property of Peace Corps and must be managed according to *Peace Corps Manual* section (MS) 511, which addresses management and disposition of Peace Corps personal property.

Medical Inventory System is the method and official record by which the post maintains an accurate account of controlled substances and specially designated items via medical supply receipt, distribution, and disposal. Specific procedures for a Medical Inventory System at post are outlined in *Peace Corps Medical Technical Guide* (TG) 240.

Medical Supplies include all medicines, dressing material, laboratory reagents, test kits, birth control products, vaccines, and small consumable medical equipment, as well as controlled substances.

Medical Supply Inventory Control Clerk (MSICC) is appointed by the CD. The MSICC maintains the Medical Inventory System. The MSICC must not be a member of the Medical Office staff. The MSICC works with both the APC and the PCMO to ensure that medical supplies are properly delivered and inventoried. The MSICC is not permitted to serve as the APC or to perform the quarterly inventory of medical supplies.

APPENDIX D

Peace Corps Medical Officer (PCMO) is a physician, nurse practitioner, registered nurse or physician's assistant who oversees the post's medical office and the provision of health care to PCVs. In some cases, there may be more than one PCMO at a post. The PCMO receives guidance from OHS regarding the medical supplies that should be available at post. The associate director (AD) for OHS has overall responsibility for managing and supervising the PCMO, but the CD has day-to-day management and supervision responsibility of the PCMO in non-clinical areas.

Specially Designated Medical Supplies are items that OHS deems to be of high value, pilferable, or otherwise deserving of special attention. OHS is responsible for labeling particular medical supplies as specially designated.

APPENDIX E

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

Bradley Grubb, Hal Nanavati, Waheed Nasser, and Gabrielle Perret performed the audit work included in this capstone report.

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please email Assistant Inspector General for Audit Bradley Grubb, at bgrubb@peacecorps.gov, or call him at 202.692.2914.

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