SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

FROM: County Auditor-Controller

SUBMITTAL DATE:
August 19, 2010

SUBJECT: Riverside County Regional Medical Center (RCRMC), Internal Audit Reports:
(1) 2008-011: RCRMC, Professional Services Contract Administration.
(2) 2008-012: RCRMC, Pharmacy Materials and Supplies Procurement and Inventory Processes.
(3) 2008-013: RCRMC, Operating Room Materials and Supplies Procurement and Inventory Processes.

RECOMMENDED MOTION: Receive and file Internal Audit Reports 2008-011: RCRMC Professional Services Contract Administration; 2008-012: RCRMC Pharmacy Materials and Supplies Procurement and Inventory Processes; and 2008-013: RCRMC Operating Room Materials and Supplies Procurement and Inventory Processes.

BACKGROUND: The Auditor-Controller completed three audits of the RCRMC to provide management and the Board of Supervisors with independent assessments about internal controls (continued)

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for Robert E. Byrd
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A

Positions To Be Deleted Per A-30	☐
Requires 4/5 Vote	☐

C.E.O. RECOMMENDATION:

APPROVE

BY:

County Executive Office Signature

Karen L. Johnson

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Departmental Concurrence

Dep't Recomm.: ☒ Consent ☐ Policy

Per Exec. Ofc.: ☒ Consent ☐ Policy

Prev. Agn. Ref.: | **District:** ALL | **Agenda Number:**

2.7

Form −11 Internal Audit Reports:
(1) 2008-011: RCRMC, Professional Services Contract Administration.
(2) 2008-012: RCRMC, Pharmacy Materials and Supplies Procurement and Inventory Processes.
(3) 2008-013: RCRMC, Operating Room Materials and Supplies Procurement and Inventory Processes.
August 19, 2010
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over procurements and inventories. These three audits were a continuation of the audit of materials and supplies which was initially reported in Internal Audit Report 2006-008: RCRMC, Materials and Supplies Procurement and Inventory Processes, dated October 1, 2008. We reported then that we were performing separate individual audits of the procurement processes pertaining to professional services, pharmacy, and operating room due to the large volume of transactions handled by each unit. The professional services and the materials and supplies procured annually by RCRMC amounted to an average of $34 million and $40 million, respectively.

We coordinated the simultaneous submission of these three audit reports to provide management our complete assessment about RCRMC's procurement processes. The completion of these audits, including the receipt of management responses, extended several months as the noted control deficiencies required an in-depth evaluation of several possible solutions. Throughout the course of the audit, RCRMC's management staff and our audit staff worked together in developing a reasonable approach for addressing the reported issues.

We found adequate internal controls were in place over procurement of professional services. The internal controls over materials and supplies were found to be inadequate. It is necessary that a plan for automating the hospital's supply-chain process be implemented as it is fundamental to improving management controls over costs, revenue, quality of service, and regulatory compliance. An automated supply-chain process is consistent with the year 2015 health system initiatives as articulated by the Joint Commission of Pharmacy Practitioners. These initiatives, among other things, place responsibility on the pharmacists for the design and oversight of safe, accurate and timely medication distribution systems, and accountability over patients' therapeutic outcomes starting in 2015. Accordingly, a system capable of tracking medications from procurement, storage, dispensing, and through patient outcomes is essential to become compliant with the impending changes in the practice of pharmacy.

County of Riverside

INTERNAL AUDIT REPORT

2008-011

**Riverside County Regional Medical Center
Professional Services Contract Administration**

May 20, 2010

COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
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**COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER
Robert E. Byrd, CGFM**
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

May 20, 2010

Douglas Bagley, Hospital Administrator
Riverside County Regional Medical Center
26520 Cactus Street
Moreno Valley, CA 92555

Subject: **Internal Audit Report 2008-011: Riverside County Regional Medical Center, Professional Services Contract Administration**

Dear Mr. Bagley:

We have completed an audit of the Riverside County Regional Medical Center, Professional Services Contract Administration. Our audit objective is to provide management and the County Board of Supervisors with an independent assessment of the adequacy and effectiveness of internal controls over professional services contract administration. The scope of our audit did not include the nursing registry. We conducted the audit during the period November 1, 2007, through September 30, 2008, for operations of March 1, 2006, through February 29, 2008.

This audit is one of four in a series of audits of the medical center's procurement and contract operations. We decided to report all audits in the series together to provide management and the Board of Supervisors with comprehensive results of the audited topic.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective as described in the preceding paragraph is achieved. An audit includes examining, on a test basis, evidence about the adequacy and effectiveness of internal controls, compliance with applicable government codes, laws, and regulations, and performing such other procedures as we considered necessary. We believe the audit provides a reasonable basis for our conclusions.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls; our responsibility is to express an opinion on the internal controls based on our audit.

In our opinion, the existing internal controls over professional services contract administration are adequate and effective.

We thank Riverside County Regional Medical Center's management and staff for their cooperation and assistance.

Robert E. Byrd, CGFM
County Auditor-Controller

By: George C. Tabora, CPA
    Audit Manager

cc: Board of Supervisors
    Grand Jury

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Executive Summary

Audit Objective

Our audit objective was to determine the adequacy of existing internal controls over the administration of professional services contracts and to identify areas where internal controls and efficiencies can be improved. The scope of our audit did not include the nursing registry.

Overview

The Riverside County Regional Medical Center (RCRMC), located in the city of Moreno Valley, is a 520,000 square foot state-of-the-art adult and pediatric patient care facility. The hospital is licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital, and 77 licensed beds in a separate psychiatric facility. RCRMC has approximately 2,100 employees and staff.

RCRMC's Contract Administration Department oversees 165 professional services contracts valued at $34 million per year.

Audit Methodology

In order to achieve our audit objectives, we performed the following:

- Reviewed the professional service procurement process for compliance with government codes, laws and regulations, including county and department policies and procedures.

- Performed a risk assessment and evaluated whether internal controls are sufficient to mitigate identified risks.

- Reviewed whether the terms of the professional agreements are complied with.

- Interviewed personnel to gain an understanding of current practices.

- Tested transactions including billings and payments to contractors for appropriateness and accuracy of charges.

Conclusion

In our opinion, the existing internal controls over professional services contract administration are adequate and effective.

Results

Contract Administration

The RCRMC Contract Administration provides oversight of hospital departments' monitoring of professional service agreements to ensure that contractors perform the services and meet all requirements in accordance with the terms of the agreements. The Contract Administration's responsibilities include the verification of unsatisfactory contractor performance, sending of discrepancy letters to contractors, as needed, and reporting on the status of the departments' monitoring activities to management. A Finding Report, including a description of the review scope and process, findings, recommendations, and conclusions, are issued. If a corrective action is required from a contractor, a discrepancy letter is issued to the contractor requesting a response within 30 days.

We reviewed 22 contracts valued at $17 million, by performing the following steps:

1. Examined 124 billing statements/invoices arising from the 22 contracts to verify that charges were consistent with the contract and properly supported.

2. Reviewed the clinic records for December 2007 and January 2008 to obtain evidence that services were rendered to patients.

3. Ascertained that contractor's insurance certificates (professional, general and vehicle liability and workers' compensation insurance) were current, along with required annual tuberculosis test, chest x-ray and hepatitis B immunization.

4. Verified the existence of malpractice insurance claims against any of the contracted service professionals who rendered the services.

5. Reviewed the monitoring activity reports.

We noted eleven of 22 contractors included in our test did not submit a breakdown of the charges although the service agreements with these contractors require that the billing should indicate the physician who rendered the services, the date services were rendered, the rates charged, and the hours worked. According to management, it has been a standing practice of the hospital not to require the said breakdown because there is a reasonable assurance that physician services are being rendered as contracted. Should an exception regarding physician performance occur, management is confident that the information will be channeled to the proper authority either by the clinic staff or the patient and addressed appropriately.

We noted the insurance certificates on file (commercial general liability, workers' compensation or vehicle insurance) of 20 contractors were not current. Upon our request, Contract Administration was able to obtain current certificates from 18 of the 20 contractors and is following up with the two remaining contactors. We also noted 34 contractor employees did not have a current PPD/TB (Purified Protein Derivative/ Tuberculosis) and/or chest x-ray record on file, and 108 contractor employees did not have current Hepatitis B immunization. (The physician service contracts were subsequently amended to exclude the Hepatitis B immunization requirement.) The professional service contracts require a current written report signed by a qualified party, certifying that the contractor is free from infectious disease symptoms. Upon our request, Contract Administration started updating the PPD/TB and/or chest x-ray records and immunization reports for all contractors. We determined that appropriate corrective actions were already implemented by Contract Administration to address the issues as discussed.

County of Riverside

INTERNAL AUDIT REPORT

2008-012

Riverside County Regional Medical Center

Pharmacy
Materials and Supplies Procurement and Inventory Processes

May 20, 2010

COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
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**COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER
Robert E. Byrd, CGFM**
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

May 20, 2010

Douglas D. Bagley
Chief Executive Officer
Riverside County Regional Medical Center
26520 Cactus Avenue
Moreno Valley, CA 92555

Subject: **Internal Audit Report 2008-012: Riverside County Regional Medical Center, Pharmacy, Materials and Supplies Procurement and Inventory Processes**

Dear Mr. Bagley:

We have completed an audit of the Riverside County Regional Medical Center (RCRMC) Pharmacy. Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of internal controls over procurement and inventory of pharmacy materials and supplies. We conducted the audit during the period June 1, 2008, through April 30, 2009, for operations of March 1, 2006, through December 31, 2008.

The subject of this audit is the pharmacy at the Moreno Valley hospital campus which accounts for 90 percent of RCRMC pharmacy transactions. This audit did not include the pharmacies at the Riverside Neighborhood Health Center and Arlington campus and therefore, we do not express an opinion regarding their internal controls. (An audit of the Arlington campus psychiatric facility, which included the pharmacy at the location, has been completed and will be reported separately.)

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective as described in the preceding paragraph is achieved. An audit includes examining, on a test basis, evidence about the adequacy and effectiveness of internal controls, compliance with applicable laws and regulations, and performing such other procedures as we considered necessary in the circumstances. We believe the audit provides a reasonable basis for our opinion.

Internal controls are processes designed to provide management reasonable assurance of achieving operational efficiency of operations, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining

adequate internal controls; our responsibility is to express an opinion on the internal controls based upon our audit.

In our opinion, RCRMC's internal controls over procurement and inventory of pharmacy materials and supplies are not adequate. The processes used by the pharmacy for purchasing and inventory control are mainly provided through a system owned by and under the control of a supplier. Considering that 95 percent of the pharmacy's purchases are from this supplier, the integrity and effectiveness of the existing internal control process is uncertain. The weakness in internal controls is exacerbated without the pharmacy's implementation of the available county PeopleSoft purchasing and inventory systems.

It is necessary that a plan for automating the hospital's supply-chain process be implemented as it is fundamental to improving management controls over costs, revenue, quality of service, and regulatory compliance. An automated supply-chain process is consistent with the year 2015 health system initiatives as articulated by the Joint Commission of Pharmacy Practitioners. These initiatives, among other things, place responsibility on the pharmacists for the design and oversight of safe, accurate and timely medication distribution systems, and accountability over patients' therapeutic outcomes starting in 2015. Accordingly, a system capable of tracking medications from procurement, storage, dispensing, and through patient outcomes is essential to become compliant with the impending changes in the practice of pharmacy.

We thank the RCRMC management and staff for their full cooperation and assistance.

Robert E. Byrd, CGFM
County Auditor-Controller

By: George C. Tabora, CPA
Audit Manager

cc: Board of Supervisors
Grand Jury

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Executive Summary

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of Riverside County Regional Medical Center (RCRMC) internal controls over procurement and inventory of pharmacy materials and supplies.

Overview

RCRMC, located in the city of Moreno Valley, is a 520,000 square foot state-of-the-art adult and pediatric patient care facility, capable of handling trauma and specialty cases. The hospital is licensed for a total of 439 beds. There are 362 licensed beds at the Moreno Valley campus, and 77 licensed beds at the Arlington campus psychiatric facility in the city of Riverside.

Pharmacy services are available at the Moreno Valley hospital campus and at the Riverside Neighborhood Health Center on Indiana Avenue, Riverside. Pharmacy services also are available to patients of the psychiatric facility at the Arlington campus. The subject of this audit is the pharmacy at the Moreno Valley hospital campus which accounts for 90 percent of RCRMC pharmacy transactions.

The pharmacy hours at the Moreno Valley hospital campus are 9 a.m. to 8:30 p.m. Monday through Friday, and 9 a.m. to 5:30 p.m. on weekends and holidays. The pharmacy can fill prescription orders for patients with an RCRMC medical record number and eligible insurance (MISP, Medi-Cal, Exclusive Care, Medi-Cal IEHP) or private pay.

Pharmacy inventory activities for two fiscal periods were as follows:

	FY07	FY08
Total Purchases	$ 13,314,779	$ 14,618,960
Beginning of year inventory	1,080,063	1,355,930
Less: End of year inventory	1,355,930	1,553,356
Average inventory	$ 1,217,997	$ 1,454,673
Inventory turnover	11	10

Audit Methodology

In assessing the adequacy and effectiveness of internal controls over procurement and inventory of pharmacy materials and supplies, we determined whether:

- Purchasing and inventory practices were in accordance with applicable laws, regulations, and established county and RCRMC policies.
- Inventories were properly recorded and safeguarded.
- Prices and payments for purchases were accurate.

In order to achieve our audit objectives, we:

- Obtained an understanding of the applicable laws, regulations, ordinances, board resolutions, and county and department policies.
- Interviewed RCRMC personnel on purchasing and inventory practices.
- Completed a risk assessment.
- Analyzed inventory turnover.
- Reviewed segregation of duties.
- Surveyed the physical security controls at the pharmacy.
- Reviewed the procedures for expired drugs.
- Reviewed the procedures for controlled substances disposal.
- Reviewed the procedures for dispensing controlled substances.
- Verified the validity of pharmacy business and professional staff licenses.
- Tested transactions.

Conclusion

In our opinion, RCRMC's internal controls over procurement and inventory of pharmacy materials and supplies are not adequate. The processes used by the pharmacy for purchasing and inventory control are mainly provided through a system owned by and under the control of a supplier. Considering that 95 percent of the pharmacy's purchases are from this supplier, the integrity and effectiveness of the existing internal control process is uncertain. The weakness in internal controls is exacerbated without the pharmacy's implementation of the available county PeopleSoft purchasing and inventory systems.

It is necessary that a plan for automating the hospital's supply-chain process be implemented as it is fundamental to improving management controls over costs, revenue, quality of service, and regulatory compliance. An automated supply-chain process is consistent with the year 2015 health system initiatives as articulated by the Joint Commission of Pharmacy Practitioners. These initiatives, among other things, place responsibility on the pharmacists for the design and oversight of safe, accurate and timely medication distribution systems, and accountability over patients' therapeutic outcomes starting in 2015. Accordingly, a system capable of tracking medications from procurement, storage, dispensing, and through patient outcomes is essential to become compliant with the impending changes in the practice of pharmacy.

Results

Purchasing & Inventory Process

The pharmacy procures about 95 percent of all prescription pharmaceutical products from AmerisourceBergen Corporation (ABC), a requirement based upon a Prime Vendor Agreement between ABC and the County of Riverside. The current agreement, which started on August 1, 2006, is renewable annually for up to four years. The agreement is currently on its third renewal year. Pursuant to the agreement, RCRMC has to meet minimum periodic purchase levels, which is currently at $11,025,000 per year. (Purchases by all hospital departments from ABC totaled $14.5 million in fiscal year 2008.) In exchange, ABC provides the lower of (1) the price of the product on a supplier's price list, or (2) any applicable Group Purchasing Organization (GPO) contract price for the product authorized by a supplier and maintained in an ABC bid file, exclusive of tier level discounts determined based on purchase volume. The tier level discount currently provided to RCRMC is 2.75 percent.

The county has designated MedAssets, a national GPO, to provide RCRMC a portfolio of pharmaceutical and pharmacy products from various manufacturers and wholesalers. MedAssets, backed by the purchasing power of its members, negotiates and enters into contracts with suppliers for discounted prices. MedAssets provides RCRMC access to these prices. For administering the GPO program, MedAssets receives an administrative fee from participating suppliers based upon purchases by RCRMC. MedAssets shares with RCRMC a percentage of the administrative fees it collects every quarter (25 percent of the first $150,000, 40 percent of the excess over $150,000). Inpatient pharmaceutical products are mainly purchased through ABC utilizing MedAssets' GPO contracted prices. Outpatient pharmaceutical products are also mainly purchased through ABC utilizing, when available, federal 340B federal drug program prices. The balance of pharmacy purchases (approximately five percent of total) are from other vendors utilizing other GPO and private vendor agreements.

The terms of the agreement with ABC require pre-payment of monthly purchases based on average net purchases over the previous three months. The payment is due prior to the start of the month to which the prepayment applies. ABC provides a monthly activity report, listing the monthly purchases and required payment, which is reviewed and approved by the pharmacy director prior to payment.

ABC delivers products to RCRMC six days a week (Monday–Saturday), twice a day Monday, through Friday, and once a day on Saturday. Orders placed in the morning are usually received in the afternoon, while orders placed in the afternoon are usually received the following morning. ABC provided the software and two computers for ordering and reporting. One of the computers is used for inpatient

orders and the other for outpatient orders. Federal regulations require the segregation between inpatient and outpatient stocks. The computers, which are linked to the ABC computer system, provide the ordering data such as a list of supplier/manufacturers and prices from various supplier contracts or price lists for the item being purchased. The pharmacy buyer selects the item to order from the list.

Individual purchase orders are not issued from the county's PeopleSoft system. Rather, a lump sum purchase order is issued monthly for purposes of recording the liability and subsequently generating payment to ABC.

The PeopleSoft inventory system is not used by the pharmacy. The current inventory control is mainly on controlled substances using two ancillary systems, NarcTrak and CII-Safe, primarily designed for meeting Drug Enforcement Administration (DEA) reporting requirements. In order to maintain proper stock balances, Pharmacy Policy 210 (Drug Procurement and Storage) requires all members of the pharmacy staff be responsible for bringing to the attention of the pharmacy director, the pharmacy storekeeper or pharmacy inventory personnel any item that is in need of stock replacement. As a routine, items requiring reorder are determined: (1) by the pharmacy stock clerk when reviewing assigned inventory areas, (2) by the pharmacist when filling orders, or (3) by the pharmacy technician when replacing items on the shelves. The policy sets a target for an inventory turnover rate of 10-12 annually (30 to 36 days supply) depending on the cost of the item.

Finding 1

The majority of processes used by the pharmacy for purchasing and inventory control are provided through a system owned by and under the control of a supplier. Considering that 95 percent of the pharmacy's purchases are from this supplier, the integrity and effectiveness of the existing internal control process is uncertain. Prices paid for products from the supplier are not sufficiently validated; thus, increasing the risk for overpayment. This risk is exacerbated by the absence of a perpetual inventory system which could be used to maintain product prices and efficiently track stock balances. Furthermore, without the use of the PeopleSoft purchase order system, the pharmacy is unable to utilize a systematic validation of purchases, receipts, and invoices prior to generating payment to the supplier.

Recommendation 1.1 Implement a process for validating supplier prices to ensure that inpatient and outpatient products are purchased utilizing appropriate contracts or programs that are of most benefit to the hospital.

Management Reply **Concur.** We concur with this recommendation. For Part 1, a comprehensive management model was presented by the pharmacy's Group Purchasing Organization (GPO) to the Director of Pharmacy and

was implemented in the 4th Quarter of 2009 (12/2009). This program provides for the management, comparison, and authentication of all contracts and agreements for medications utilized by RCRMC and purchased through the GPO. Variances for medications purchased through the GPO will be analyzed twice monthly by the Director of Pharmacy and reported to the purchaser. This report is known as the SIRX report. An example SIRX report is attached as Addendum 1.

For Part 2, a National Drug Code (NDC), real-time, inventory-managed database system is being explored as part of a comprehensive dockside to bedside program (see attached Addendum 2). This is a complete medication tracking system. The process will, in real-time, track medication use from the point of medication procurement to the point of administration to the patient. It further tracks and accounts for the management of the costs of goods and medications that are ordered and utilized, providing a real-time inventory database. This tracking system is part of the overall dockside-to-bedside program whose cost is reflected below.

Recommendation 1.2 Re-evaluate the current prime vendor agreement in relation to risks attributed to sourcing pharmaceutical product requirements and system services from a single supplier. Develop a plan for addressing all risks including potential interruptions in supply and system services caused by incidents at the supplier's end.

Management Reply **Concur.** We concur with this recommendation. The pharmacy maintains direct accounts with five (5) vendors that would serve to fill the critical or emergency needs of the hospital in the case that the primary supplier is unable to provide services (see attached Addendum 3). The County also maintains a stock of emergency pharmaceuticals located at RCRMC (the County's primary depot site) in the case of a disaster. Our supply vendor accounts will be re-evaluated by May, 2010.

Recommendation 1.3 Develop and implement a plan for automating the hospital's supply-chain system consistent with the year 2015 health system initiatives as articulated by the Joint Commission of Pharmacy Practitioners.

Management Reply **Concur.** We concur with this recommendation, subject to cost feasibility as noted below. The RCRMC Pharmacy is currently exploring options that will allow for the implementation of national quality initiatives described by the Joint Commission and endorsed by the American Society of Health-System Pharmacists that include the dock-side to bedside system/program (as described in 1.1.b). The costs associated with implementation of these initiatives are inclusive in the overall cost of the dockside-to-bedside program which is described below.

Results

Controlled Substances and Expired Medications

Controlled substances ordering, usage, and inventory processes are regulated by the state and federal governments. The controlled substances for outpatient use are tracked using NarcTrak, a DOS-based inventory system. The controlled substances for inpatient use are tracked using CII-Safe/Pyxis, a drug dispensing system/equipment with features such as access security controls, proactive diversion reporting, and replenishment process.

Procurements of controlled substances are approved by DEA using DEA Form-222 (U.S. Official Order Forms – Schedules I & II). The approval for controlled substances for inpatient use is obtained electronically using the DEA Controlled Substance Ordering System (CSOS) while approvals for outpatient orders are manually processed. Only pharmacists with a Power-of-Attorney filed with DEA are allowed to place orders for controlled substances and only licensed pharmacists may receive the controlled substances from the supplier.

Upon receipt, controlled substances are stored inside the controlled substances room. Inpatient items are recorded in the CII-Safe/Pyxis system, while the outpatient items are recorded in the NarcTrak system.

A physical inventory count of inpatient controlled substances is taken and reconciled to the CII-Safe/Pyxis system twice a day. Discrepancies are investigated and resolved. Every month-end, the inventory and reconciliation are verified and signed off by two pharmacists. Outpatient controlled substances transactions are reconciled against source documents daily and inventory balances to the physical count weekly.

Pharmacy Policy 110.1 (Destruction and Disposal of Unwanted Controlled Substances) requires all outdated, damaged or unusable controlled substances be transferred to a designated bin in the controlled substances room for pick-up and disposal by an authorized vendor. All disposals are recorded in the respective CII-Safe/Pyxis and NarcTrak systems and documented by completing DEA Form-41 (Registrants Inventory of Drugs Surrendered).

The pharmacy maintains 42 Pyxis drug dispensing equipment units positioned around the hospital. A Pyxis unit contains regularly used controlled substances which, upon order of a physician, authorized staff members are able to withdraw for patient use. The stock is replenished regularly by the pharmacy. When a staff withdraws an item from Pyxis, the staff counts the stock balance and enters the quantity counted using the Pyxis key pad. The system compares the count with the Pyxis-maintained balance and reports any exception. The pharmacy staff monitoring the Pyxis system investigates and resolves all reported exceptions.

Pharmacy Policy 110 (Returned, Discontinued/Unused, Expired Drugs) requires the pharmacy staff to inspect inventories for the purpose of removing all medications from the stock one month prior to their expiration date. The inventories are divided into 29 different areas; each area is assigned an individual responsible for completing the monthly inspections. The medications removed from the stock are either returned to the supplier for credit or disposed for destruction.

RCRMC Human Resources monitors employees' licenses, registrations and certificates to ensure they are current. Licenses issued by the State of California Board of Pharmacy are verified online to ensure licenses are "clear" to perform all duties as licensed.

Finding 2

During a six-month period ending November 25, 2008, 23 of the 104 controlled substances surrendered to EXP Pharmaceutical Services Corp.[1] for disposal were not documented on DEA Form-41 (Registrants Inventory of Drugs Surrendered). In addition, 29 of the 104 controlled substances documented with a DEA Form 41 did not reconcile with the transactions recorded in the log book and controlled substances inventory records. DEA Form-41 is required by federal regulations for the surrender of controlled substances. Failure to document the surrender of controlled substances may result in prosecution for violation of the Controlled Substances Act; the failure to perform the procedures may also cause missing controlled substances to remain undetected. The lack of documentation was not detected because supervisory review was not consistently performed.

[1] Licensed vendor awarded to dispose regulated drugs.

Recommendation 2.1 Document the surrender of all controlled substances on DEA Form-41 (Registrants Inventory of Drugs Surrendered)

Management Reply **Disagree.** We disagree with this recommendation. The pharmacy utilizes a process that provides for the necessary documentation of orders, consumption and returns of applicable pharmaceuticals by using the required DEA Form-222 (see copy of form as attached Addendum 4) which documents the return of controlled substances. Wasted medications and controlled substances pending to be surrendered are maintained in a locked area inside the controlled substances room until EXP personnel take custody. EXP is a company licensed by the Drug Enforcement Agency and contracted by RCRMC to dispose of surrendered controlled substances. A pharmacy supervisor contacts EXP when disposal is required. EXP personnel reconcile actual amounts of controlled substances to be surrendered with amounts listed in the pharmacy's log book. EXP then supplies the Department of Pharmacy Services with a DEA Form-222 to authorize shipment of controlled substances to EXP. An invoice is returned to RCRMC from EXP to verify the receipt of shipped controlled substances. This process

satisfies the DEA's requirements for surrendering controlled substances and bypasses any requirement to document the surrender of controlled substances on DEA Form-41.

Auditor's Comment

DEA regulations do not require the pharmacy to submit DEA Form-41 for controlled substances surrendered to reverse distributors such as EXP. Instead, DEA regulations require the reverse distributors to submit DEA Form-41 to DEA and to issue DEA Form-222 to the pharmacy to acknowledge receipt of the surrendered drugs.

Pharmacy Policy 110.1 (Destruction and Disposal of Unwanted Controlled Substances) requires the pharmacy to complete DEA Form-41 for controlled substances surrendered to EXP. According to Policy 110.1, this is an internal document which will be used as a reference to DEA Form-222 and will not be submitted to EXP or DEA. We considered this procedure as an integral part of RCRMC's internal control process of verifying the DEA Form-222.

(After further discussion with the pharmacy administration on May 12, 2010, the pharmacy agrees with, and will implement, Recommendation 2.1)

Recommendation 2.2

Perform quarterly or, if desired, monthly reconciliations of surrendered controlled substances as recorded in the NarcTrak and CII-Safe systems and on DEA Form-41 (Registrants Inventory of Drugs Surrendered).

Management Reply

Concur. We concur with this recommendation. This function is currently performed daily. Expired, inpatient medications are wasted from the Pyxis C-II Safe (electronically removed from active inventory totals, and placed into an appropriate storage area) while outpatient supplies are wasted using NarcTrack. Each such transaction must be performed by two (2) pharmacists. A waste log is maintained in the controlled substances room and updated in real-time for each transaction. Wasted medications are maintained in a locked area inside the controlled substances room until EXP personnel take custody. EXP is a company licensed by the Drug Enforcement Agency and contracted by RCRMC to dispose of controlled substances. A pharmacy supervisor contacts EXP when disposal is required. EXP personnel reconcile actual quantities of controlled substances to be surrendered with quantities listed in the pharmacy's waste-log book. EXP then supplies the Department of Pharmacy Services with a DEA Form-222 to authorize shipment of controlled substances to EXP. An invoice is returned to RCRMC from EXP to verify the receipt of shipped controlled substances.

Finding 3

Thirty-three of 310 scheduled monthly inventory inspections for expired medications, for the period January through November 2008, were not

performed as required by Pharmacy Policy 110 (Returned, Discontinued/Unused, Expired Drugs). Failure to perform a review of expired medication on a monthly basis increases the risk for dispensing expired medications to patients.

Recommendation 3

The documentation prepared by the pharmacists should be reviewed monthly by the pharmacy director, or designee, to ensure that monthly inventory inspections and removal of expired or expiring medications from stock are performed.

Management Reply

Concur. We concur with this recommendation. Monthly inventory inspections are performed by licensed pharmacists. Daily inventory inspections and removal of expired medications from stock are performed by pharmaceutical technicians and supervised by pharmacists. The Director of Pharmacy or designee reviews these inspections monthly. The policy and form are attached as Addenda 5 and 6.

Finding 4

NarcTrak, an obsolete DOS-based operating system, is no longer supported by the software maker. It does not provide sufficient monitoring and reporting capabilities to facilitate an effective inventory control over outpatient controlled substances.

Recommendation 4

Develop a plan for replacing NarcTrak with a more current and reliable system for tracking and reporting outpatient controlled substances. The benefits of integrating the proposed system replacement with the hospital's planned information and financial system automations (which may also soon include a supply-chain system) should be considered in planning.

Management Reply

Concur. We concur with this recommendation. New technology for this function is not available with the current NarcTrak system. However, the new upgrade of the PYXIS System contains a C II Safe which will achieve the desired objective. This is the last module of the upgrade to be installed.

Results

Physical Security Controls

The pharmacy director authorizes all access to the pharmacy. Employees enter through a secured main door requiring a valid employee ID card and a 4-digit code to open. Visitors are required to sign in and are escorted while inside the pharmacy.

The controlled substances room inside the pharmacy is secured by a door requiring a valid employee ID card and a 4-digit code to open. The access to the controlled substances room is limited to licensed pharmacists. The pharmacy has a back door which, until September 2008, was used also by all pharmacy employees as an access door to the pharmacy. This door is now used solely as an exit. RCRMC's Plant Operations department manages the computer system controlling security access to these doors. Employee access to computer systems is protected by passwords.

Security cameras monitor and record the activity around the pharmacy perimeter and interior offices using digital video recorders (DVR). Recordings of two weeks of most recent activity are stored. There are three security cameras inside the pharmacy, each covering a particular area: back door, outpatient pick up area, and the controlled substances room.

Finding 5

Twenty-two former employees (19 terminated, three transferred out of the pharmacy) still had active access to the pharmacy's main door. Five of them also had active access rights to the controlled substances room. The access rights of these employees remained active because Plant Operations was not notified of the employee terminations or transfers in a timely manner. Failure to disable terminated or transferred employee access rights increases the risk for unauthorized access to the pharmacy. (A follow up review made on August 2009 indicated that 15 former employees still had active access rights to the main door.)

Recommendation 5.1 Disable terminated and transferred employees' access rights to the pharmacy front door and/or controlled substances room.

Management Reply **Concur.** We concur with this recommendation. Employees' access rights to the pharmacy front door and controlled substances room are de-activated immediately upon termination or transfer. Pharmacy Policy 232 (attached Addendum 7) will be revised to reflect this process.

Recommendation 5.2 Develop and implement procedures to ensure employee's access to the pharmacy is disabled upon the employee's transfer to another department or termination of employment.

Management Reply　　**Concur.** We concur with this recommendation. Terminated and transferred employees access to the pharmacy is de-activated immediately upon severance of employment. Pharmacy staff is notified to disallow entrance to former employees. Pharmacy Policy 232 (attached Addendum 7) will be revised to reflect this process for employees who are transferred or terminated.

Finding 6　　Employees' system access to NarcTrak remained active even after termination of employment. Procedures are not in place to ensure that system access of terminated employees is disabled. Section 4.2 (Access Control) of Board Policy A-58 states that only authorized personnel within each department should have access to any information system. Section 4.3 (Termination Process) requires termination of access when user employment is ended.

Recommendation 6.1　　Disable all employees' access to NarcTrak upon employment termination.

Management Reply　　**Concur.** We concur with recommendation. Terminated employees access rights to NarcTrak are de-activated immediately upon severance of employment. Pharmacy Policy 232 (attached Addendum 7) is being revised to reflect this practice.

Recommendation 6.2　　Establish procedures for promptly disabling employee access to NarcTrak upon termination of employment. .

Management Reply　　**Concur.** We concur with this recommendation. Terminated employees' access rights to NarcTrak are de-activated immediately upon severance of employment. Pharmacy Policy 232 (attached Addendum 7) is being revised to describe this practice.

Finding 7　　One security camera in the controlled substances room is not sufficient to monitor the entire room including the back section where controlled substances for disposal are kept. The camera in the room could only record the individuals coming in and out of the room. It may not be possible to exactly identify the responsible individual if theft is committed because of the camera's limited coverage. Auditor-Controller Standard Practice Manual 104: Internal Controls, requires adequate physical controls for equipment, inventories, cash and other property.

Recommendation 7　　Improve monitoring of the controlled substances by adding and maintaining adequate security camera coverage inside the controlled substances room.

Management Reply   **Concur.** We concur with the recommendation. A camera inside the controlled substance room now operates 24/7. Recordings are captured digitally for retrieval at a future date.

Appendix

Riverside County Regional Medical Center
Management Reply

RIVERSIDE COUNTY REGIONAL MEDICAL CENTER
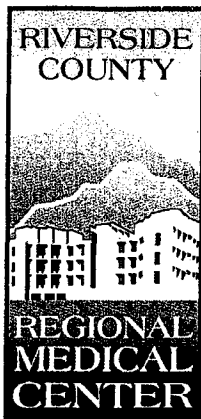
DATE: April 20, 2010

TO: Auditor-Controller's Office
             Audits-and Specialized Accounting Division

FROM: Douglas Bagley, CEO
             Riverside County Regional Medical Center

SUBJECT: Reply to Draft Pharmacy Audit Report

Recommendation Number: 1.1
Implement a process for validating supplier prices to ensure that inpatient and outpatient products are purchased utilizing appropriate contracts or programs that are of most benefit to the hospital.

a.   **Management position concerning the recommendation:**

   ___X___ Concur   _____ Disagree

b.   **Comments:**

We concur with this recommendation. For Part 1, a comprehensive management model was presented by the pharmacy's Group Purchasing Organization (GPO) to the Director of Pharmacy and was implemented in the 4th Quarter of 2009 (12/2009). This program provides for the management, comparison, and authentication of all contracts and agreements for medications utilized by RCRMC and purchased through the GPO. Variances for medications purchased through the GPO will be analyzed twice monthly by the Director of Pharmacy and reported to the purchaser. This report is known as the SIRX report. An example SIRX report is attached as Addendum 1.

For Part 2, a National Drug Code (NDC), real-time, inventory-managed database system is being explored as part of a comprehensive dockside to bedside program (see attached Addendum 2). This is a complete medication tracking system. The process will, in real-time, track medication use from the point of medication procurement to the point of administration to the patient. It further tracks and accounts for the management of the costs of goods and medications that are ordered and utilized, providing a real-time inventory database. This tracking system is part of the overall dockside-to-bedside program whose cost is reflected below.

c.   **Actual/estimated Date of Corrective Action:**

Part 1 is completed
Part 2 is subject to funding

d. **Estimated cost to implement recommendation (If material)**

Part 2 cost is $2,049,711

Recommendation Number: 1.2

Re-evaluate the current prime vendor agreement in relation to risks attributed to sourcing pharmaceutical product requirements and system services from a single supplier. Develop a plan for addressing all risks including potential interruptions in supply and system services caused by incidents at the supplier's end.

a. **Management position concerning the recommendation:**

_____X___ Concur   _____ Disagree

b. **Comments:**

We concur with this recommendation. The pharmacy maintains direct accounts with five (5) vendors that would serve to fill the critical or emergency needs of the hospital in the case that the primary supplier is unable to provide services (see attached Addendum 3). The County also maintains a stock of emergency pharmaceuticals located at RCRMC (the County's primary depot site) in the case of a disaster. Our supply vendor accounts will be re-evaluated by May, 2010.

c. **Actual/estimated Date of Corrective Action:** May 1, 2010

d. **Estimated cost to implement recommendation (If material)**

Recommendation Number: 1.3

Develop and implement a plan for automating the hospital's supply-chain system consistent with the year 2015 health system initiatives as articulated by the Joint Commission of Pharmacy Practitioners.

a. **Management position concerning the recommendation:**

_____X_____ Concur   _____ Disagree

b. **Comments:**

We concur with this recommendation, subject to cost feasibility as noted below. The RCRMC Pharmacy is currently exploring options that will allow for the implementation of national quality initiatives described by the Joint Commission and endorsed by the American Society of Health-System Pharmacists that include the dock-side to bedside system/program (as described in 1.1.b). The costs associated with implementation of these initiatives are inclusive in the overall cost of the dockside-to-bedside program which is described below.

c. **Actual/estimated Date of Corrective Action:**

Subject to funding

d.   **Estimated cost to implement recommendation (If material)**

$2,049,711

Recommendation Number: 2.1
Document the surrender of all controlled substances on DEA Form-41 (Registrants Inventory of Drugs Surrendered).

    a.   **Management position concerning the recommendation:**

        _____ Concur   ____X___ Disagree

    b.   **Comments:**

We disagree with this recommendation. The pharmacy utilizes a process that provides for the necessary documentation of orders, consumption and returns of applicable pharmaceuticals by using the required DEA Form-222 (see copy of form as attached Addendum 4) which documents the return of controlled substances. Wasted medications and controlled substances pending to be surrendered are maintained in a locked area inside the controlled substances room until EXP personnel take custody. EXP is a company licensed by the Drug Enforcement Agency and contracted by RCRMC to dispose of surrendered controlled substances. A pharmacy supervisor contacts EXP when disposal is required. EXP personnel reconcile actual amounts of controlled substances to be surrendered with amounts listed in the pharmacy's log book. EXP then supplies the Depart of Pharmacy Services with a DEA Form-222 to authorize shipment of controlled substances to EXP. An invoice is returned to RCRMC from EXP to verify the receipt of shipped controlled substances. This process satisfies the DEA's requirements for surrendering controlled substances and bypasses any requirement to document the surrender of controlled substances on DEA Form-41.

    c.   **Actual/estimated Date of Corrective Action:**

        none required

    d.   **Estimated cost to implement recommendation (If material)**

N/A

Recommendation Number: 2.2
Perform periodic reconciliations of surrendered controlled substances as recorded in the NarcTrak and CII-Safe systems and on DEA Form-41 (Registrants Inventory of Drugs Surrendered).

    a.   **Management position concerning the recommendation:**

        ____X___ Concur   _____ Disagree

b.   **Comments:**

We concur with this recommendation. This function is currently performed daily. Expired, inpatient medications are wasted from the Pyxis C-II Safe (electronically removed from active inventory totals, and placed into an appropriate storage area) while outpatient supplies are wasted using NarcTrack. Each such transacation must be performed by two (2) pharmacists. A waste log is maintained in the controlled substances room and updated in real-time for each transaction. Wasted medications are maintained in a locked area inside the controlled substances room until EXP personnel take custody. EXP is a company licensed by the Drug Enforcement Agency and contracted by RCRMC to dispose of controlled substances. A pharmacy supervisor contacts EXP when disposal is required. EXP personnel reconcile actual quantities of controlled substances to be surrendered with quantities listed in the pharmacy's waste-log book. EXP then supplies the Depart of Pharmacy Services with a DEA Form-222 to authorize shipment of controlled substances to EXP. An invoice is returned to RCRMC from EXP to verify the receipt of shipped controlled substances.

c.   **Actual/estimated Date of Corrective Action:**

July 15, 2009 and ongoing

d.   **Estimated cost to implement recommendation (If material)**

N/A

Recommendation Number: 3

The documentation prepared by the Pharmacists should be reviewed monthly by the Pharmacy Director, or designee, to ensure that monthly inventory inspections and removal of expired or expiring medications from the stock are performed.

a.   **Management position concerning the recommendation:**

_____X_____ Concur   _____ Disagree

b.   **Comments**

We concur with this recommendation. Monthly inventory inspections are performed by licensed pharmacists. Daily inventory inspections and removal of expired medications from stock are performed by pharmaceutical technicians and supervised by pharmacists. The Director of Pharmacy or designee reviews these inspections monthly. The policy and form are attached as Addenda 5 and 6.

c.   **Actual/estimated Date of Corrective Action:**

5/09; now ongoing and continuous

d. **Estimated cost to implement recommendation (If material)**

   N/A

Recommendation Number: 4

Develop a plan for replacing NarcTrak with a more current and reliable system for tracking and reporting outpatient controlled substances. The benefits of integrating the proposed system replacement with the hospital's planned information and financial system automations (which may also soon include a supply-chain system) should be considered in planning.

a. **Management position concerning the recommendation:**

   _____X_____ Concur   _____ Disagree

b. **Comments:**

   We concur with this recommendation. New technology for this function is not available with the current NarcTrak system. However, the new upgrade of the PYXIS System contains a C II Safe which will achieve the desired objective. This is the last module of the upgrade to be installed.

c. **Actual/estimated Date of Corrective Action:**

   July 2010

d. **Estimated cost to implement recommendation (If material)**

   $150,000

Recommendation Number: 5.1

Deactivate terminated and transferred employees' access rights to the Pharmacy Front Door and/or Controlled Substances Room.

a. **Management position concerning the recommendation:**

   _____X_____ Concur   _____ Disagree

b. **Comments**

   We concur with this recommendation. Employees access rights to the pharmacy front door and controlled substance room are de-activated immediately upon termination or transfer. Pharmacy Policy 232 (attached Addendum 7) will be revised to reflect this process.

c. **Actual/estimated Date of Corrective Action:**

   July 15, 2009 and ongoing

d.   **Estimated cost to implement recommendation (If material)**

N/A

Recommendation Number: 5.2
Develop and implement procedures to ensure employee's access to the Pharmacy is disabled upon the employee's transfer to another department or termination of employment.

a.   **Management position concerning the recommendation:**

___X___ Concur   _____ Disagree

b.   **Comments**

We concur with this recommendation. Terminated and transferred employees access to the pharmacy is de-activated immediately upon severance of employment. Pharmacy staff is notified to disallow entrance to former employees. Pharmacy Policy 232 (attached Addendum 7) will be revised to reflect this process for employees who are transferred or terminated.

c.   **Actual/estimated Date of Corrective Action:**

July 15, 2009 and ongoing

d.   **Estimated cost to implement recommendation (If material)**

N/A

Recommendation Number: 6.1
Disable all terminated employees' access to NarcTrak.

a.   **Management position concerning the recommendation:**

___X___ Concur   _____ Disagree

b.   **Comments**

We concur with recommendation. Terminated employees access rights to NarcTrak is de-activated immediately upon severance of employment. Pharmacy Policy 232 (attached Addendum 7) is being revised to reflect this practice.

c.   **Actual/estimated Date of Corrective Action:**

July 15, 2009 and ongoing

d. **Estimated cost to implement recommendation (If material)**

N/A

Recommendation Number: 6.2
Establish procedures for promptly disabling employee access to NarcTrak upon termination of employment.

    a.   **Management position concerning the recommendation:**

        _____X_____ Concur   _____ Disagree

    b.   **Comments**

        We concur with this recommendation. Terminated employee access rights to NarcTrack is de-activated immediately upon severance of employment. Pharmacy Policy 232 (attached Addendum 7) is being revised to describe this practice.

    c.   **Actual/estimated Date of Corrective Action:**

        July 15, 2009 and ongoing

    d.   **Estimated cost to implement recommendation (If material)**

        N/A

Recommendation Number: 7
Improve monitoring of the controlled substances by maintaining adequate security camera coverage inside the controlled substances room.

    a.   **Management position concerning the recommendation:**

        _____X_____ Concur   _____ Disagree

    b.   **Comments:**

        We concur with the recommendation. A camera inside the controlled substance room now operates 24/7. Recordings are captured digitally for retrieval at a future date.

    c.   **Actual/estimated Date of Corrective Action:**

        Completed January 2010

    d.   **Estimated cost to implement recommendation (If material)**

        NA

PHARMACY AUDIT REPORT

ADDENDA

Riverside

Date Range for Report: 7/1/06   to   2010-01-31

	RCRMC/P Rx	Riv Count/Mental	Riverside County
Total Lines of Data Reviewed	498	18,985	59,845
Total Invoices Reviewed	253	4,153	8,764
Total Dollars of Data Reviewed	$805,506.09	$5,415,383.06	$22,403,519.36
Number of Discrepancies Identified	0	325	929
Percentage of Total Lines of Data Reviewed	0.00%	1.71%	1.56%
Number of Discrepancies Open	0	8	5
Potential Credit for Open Discrepancies	$0.00	$390.51	$50.05
Number of Discrepancies Resolved	0	317	924
Credit Due for Resolved Discrepancies	$0.00	$0.00	$1.13
Credit Processed for Resolved Discrepancies	$0.00	$440.96	$7,576.62
Total Credit Potential Plus Processed	$0.00	$831.47	$7,626.67
Percentage of Dollars Reviewed	0.00%	0.02%	0.03%
Abelcet Problem Identified	$0.00	$0.00	$5,950.18
Abelcet Realized	$0.00	$0.00	$5,950.18
Risperidone Problem Identified	$0.00	$2,272.27	$0.00
Risperidone Problem Resolved Credit and Rebills	$0.00	$2,272.27	$0.00
Seroquel Problem Identified	$0.00	$1,446.36	$0.00
Seroquel Problem Resolved Credit and Rebills	$0.00	$1,446.36	$0.00
Lovenox Problem Identified	$0.00	$0.00	$868.82
Lovenox Problem Resolved Credit and Rebills	$0.00	$0.00	$959.66
Keppra Problem Identified	$0.00	$0.00	$357.43
Keppra Problem Resolved Credit and Rebills	$0.00	$0.00	$357.43
Keppra Problem Identified 2nd	$2,092.85	$0.00	$1,905.85
Keppra Problem Resolved Credit and Rebills 2nd	$2,092.85	$0.00	$1,905.85
Zemuron Problem Identified	$214.60	$0.00	$141.68
Zemuron Problem Resolved	$232.57	$0.00	$141.68
Cost Saving Alternatives Realized	$0.00	$139,998.55	$179,658.80
Number of Failure to Supply Items	0	3	0
Potential Credit Due From Manufacturers	$0.00	$23.05	$0.00
Credit From Manufacturers	$0.00	$0.00	$0.00
Percentage of Dollars Spent	0.00%	0.00%	0.00%
Total Identified Dollars	$2,307.45	$4,550.10	$16,850.63
Total Realized Dollars	$2,325.42	$144,158.14	$198,550.21
Percentage of Dollars Spent	0.29%	0.06%	0.08%

* Projected number based on Annualized Dollar Impact for Generics

Total
79,128
13,170
$28,624,508.51

1254
1.58%
13
$440.56
1241
$1.13
$8,017.58
$8,458.14
0.03%

$5,950.18
$5,950.18

$2,272.27
$2,272.27

$1,446.36
$1,446.36

$868.82
$959.65

$357.43
$357.43

$3,998.70
$3,998.70

$356.28
$374.25

$319,657.35

3
$23.05
$0.00
0.00%

$23,708.18
$343,033.77
0.06%

Background

Riverside County Regional Medical Center (RCRMC) is pleased to submit this Request for Proposal (RFP) to VENDOR as one of a select group of organizations to be considered to provide a complete and comprehensive Acute Care Pharmacy Automation and Software System. The desired SYSTEM will provide the necessary software, hardware or hardware specifications, support services, interface capabilities, automation capabilities, and integration capabilities as defined. This will be the first phase in a 3-phase acute care safety project.

RCRMC is an acute care facility licensed for 362 acute care beds (Moreno Valley Campus) and 77 psychiatric beds (Arlington Campus). RCRMC is an academic medical center and tertiary care hospital with resident physician training programs for primary and specialty services. There are academic affiliations with other universities within the Southern California area. RCRMC provides a full range of comprehensive acute and ambulatory care, including specialty and trauma services.

RCRMC is the leading provider of indigent and charity care of all Riverside area hospitals. In 2002, more than 138,000 visits, treatments, or medical services were provided to people at RCRMC.

Desired Solution Set

RCRMC is looking to partner with an automation vendor that can provide a Dockside-to-Beside solution to close the loop on medication management for inpatient operations. RCRMC seeks a solution to:
- Manage perpetual inventory
- Consolidate space in the pharmacy
- Produce readable bar codes on unit dose medications, both oral solid and odd form
- Dispense patient specific medications and first doses using proven robotics for improved safety and efficiency
- Provide safety and efficiencies in the replenishment process of unit-based medication cabinets on nursing floors

A Dockside-to-Bedside solution must include ALL of the following:
- One database to integrate each automated solution for safety, advanced analytics, closed-loop management, and efficient workflow
- Central pharmacy unit-dose (all dose types) dispensing robotics
- Storage and perpetual inventory management technology
- High-speed packaging solution that produces bar coded, robot-ready packages
- Unit-base medication cabinet that integrates with central pharmacy automation on a single database
- Ability to automate ordering, receiving, and replenishing from the pharmaceutical wholesaler
- Demonstrate successful interface with Siemens Pharmacy Information System
- Several reference sites in which your Dockside-to-Beside solution is facilitating bar code medication administration and supporting the delivery of medications to patients.

Scope of Services to be provided in the RFP

The RESPONSE to the RFP should contain the following information in concise detail. Written response should be provided for the following requirements.

Requirements

HIPPA Compliance

Is the VENDOR System HIPAA compliant to current released regulations/requirements?

Current and future plans to meet HIPAA requirements for security, privacy, and EDI.

How will upgrades and enhancements be provided as local, state, federal, and health care regulations are updated or changed?

Number of End-Users

It is anticipated there will be approx. 60-75 end-users utilizing this application. This is total number of users, not "concurrent" users.

Interfaces and Integration

Does the capability exist to the following. If so, How?

Interfaces with Siemens Invision product using Open Link? HL7?

Integration capabilities using a messaging architecture?

Integration capabilities using ODBC?
    ODBC Interfaces with Microsoft SQL Server? What diversions?
    ODBC Interfaces with Oracle? What versions?

WEB Based ordering?

Hardware or Hardware Specifications
Can system run on Hewlett Packard, Dell, or Compaq Servers?

Can system function in a Novell 4.x, 5.x and 6.x network environment?

Can the system operate in a "Virtual Machine" Environment (e.g., Vmware, etc.)?

Can the application(s) operate in a "Citrix" Environment? Published application?

Is VENDOR capable of providing Hardware?

Backup Recovery/Retention Capability

Can the VENDOR system provide Backup/Recovery of data and all related software (including OS)?

Does the VENDOR system work with ArchServe backup solutions? Which versions?

What is the retention period for VENDOR system data?

How is the archival/retrieval of archived data managed or recovered? Is the archival automatic? How is it configured?

Does the VENDOR system have data journaling and recovery in the event of a failure?

Are there Business Recovery or Disaster Recovery plans?

Does your system provide a high availability option to ensure failover support in the event of server downtime? Does this provide immediate switch over and ensure no downtime?

OPERATING SYSTEMS
Which Operating Systems will the VENDOR Solution work with? For Server? For Client?

APPLICATION LICENSING
How is the Application licensed? Concurrent Use? Seats?

How is licensing provided?

What are the upgrade cycles?

NETWORK
Will the VENDOR System work in a Wide Area Network Environment?

Will the VENDOR System work in multiple locations?

SECURITY
Which anti-virus applications or solutions will the VENDOR system work with?
What versions?

Does the VENDOR system and related applications integrate with MicroSoft and/or Novell security?

Does the VENDOR system require separate management of UserID's and Passwords?

How is security of transmission and data protection achieved?

How are users setup to access specific functions, features, and data within the applications?

Is Auditing/Logging available to track users and alert for potential security issues?

Business Process Flow Engineering/Application Configuration
Can the VENDOR provide Business Process Flow engineering and documentation, and custom application screen design?

Report Writing Capability

Does the VENDOR System have built-in Report writing capabilities?

If the VENDOR System has report writing capabilities, are they advanced (Such as Sub-Form capability, advanced operators, linking multiple queries in one report, object programming, etc.)?

Does the VENDOR System support use of third party report writing applications (e.g., Crystal Reports, Microsoft Access, Visual Objects, etc.)

Migration Services

Can the VENDOR provide migration services to migrate existing data if/as needed?

Training Services

Does VENDOR provide training services for End Users?

Can the VENDOR provide training materials related to specific RCRMC Business Process Flow?

Does VENDOR provide training services for Information Services?

Maintenance and Support

Does the VENDOR provide Maintenance and/or support services?

Does the VENDOR provide different levels and options (i.e., Monday thru Friday, 24 hour, 9-5, etc.)?

Where is the field service personnel located for your products?

How many company field technicians are located in the greater LA/Inland Empire area?

Do you provide field based and schedule on-site support calls to assist in upgrades, ongoing education, training, and optimization within your standard maintenance package?

Pricing and Savings Potential

Please provide lease and purchase pricing for your product offering.

Please provide pricing for maintenance on each product listed.

Please provide cost savings and return on investment savings for your product offering.

Product Requirements

Unit Dose Robotics

1. Provide a complete description of your unit dose robotics solution.
2. Describe the key benefits of your unit dose robotics solution.
3. Indicate the most significant disadvantages of your solution.
4. Describe your system's ability to manage users based on roles.
5. Describe your experience interfacing with third party systems.
6. Describe your reporting options.
7. How many customers do you have installed and operating with your robotics solution?
8. Has your solution been granted pharmacist check waivers by Stat Boards of Pharmacy? If so, in how many states?
9. Describe documented financial performance of your solution.
10. Describe how your system improves productivity.
11. Describe how your system increases medication safety.
12. Describe your system's reliability from an uptime perspective.
13. Describe your preventative maintenance process and frequency
14. Describe your interfacing and integration capabilities with other solutions.
15. Describe the construction of your system with regard to moving parts.
16. Describe your system's delivery method
17. Describe your system's approach to packaging and throughout capabilities
18. Describe
19. Does your product support a single-formulary database?
20. Does your system allow for a pharmacist to check packaged dose before loading into the dispensing mechanism?
21. Describe the checking process for medications which are converted from bulk to unit dose packaging.
22. How many live sites are using your current mode Robot in the US? In the state of California?

Carousels

1. Does your system come in a variety of sizes to offer a range of medication storage locations?
2. Does your system allow for storage of items that require refrigeration?
3. Can we customize our configuration
4. Does your system support the use of a cordless barcode scanning device?
5. How many line items per hour can our technicians pick using your carousel?
6. Does your system support barcode scan of both the medication and the medication location?
7. Can your system read multiple bar code formats?
8. Can your system read RSS bar codes?
9. Describe how your system supports dispensing of medication kits
10. How does your carousel manage items that are outside that carousel?
11. Does your system feature

12. Can inventory stored outside the carousel be tracked in your software?
13. Can your system automatically generate restock orders to the wholesaler?
14. Describe your process for inventory returns.
15. Does your system maintain a perpetual inventory?
16. What medication types can your carousel accommodate?
17. Please explain your expiration management process?
18. Does your system support the storage of bulk and unit dose inventory?
19. Describe your system's ability to communicate oral solids replenishment requirements to an automated packager.
20. Describe how your system prioritizes STAT orders.
21. Describe documented gains in technician and pharmacist productivity through use of your carousel solution.
22. Describe documented inventory control benefits realized through use of your carousel solution.
23. Describe interfacing capability with unit based cabinets.
24. Describe your company's market status. How many carousels installs does your company currently support?
25. Describe your field service offerings.
26. Does your solution support a single-formulary database?
27. Describe your RPh checking software.
28. Describe how your solution intuitively directs dispense tasks to the most efficient dispensing technology?
29. Discuss your carousel solution's ability to integrate with other solutions.
30. Who is your current carousel vendor? Who manufactures your carousel? How long has this relationship been in place?
31. What is the average growth factor your recommend in your carousel sizing?
32. Can you provide fully automated electronic pharmacist checks?
33. Describe your systems ability to communicate oral solid replenishment needs to an automated packager?
34. How do you perform par level management?

Packaging

1. Please provide an overview of your high speed packager's features and functions.
2. Do you have a solution that supports bar code labeling of ampoules, ointments, creams, IV's, etc.?
3. How many doses per minute can your high speed packager produce?
4. Does your system support drug verification?
5. Do you have equipment available to accommodate light-sensitive requirements?
6. Will you supply packaging materials at contracted, facility-specific prices?
7. Does your label allow for the inclusion of a product description?
8. Can users control the label font size?
9. Does the customer control all label formats?
10. What bar code symbology does your packager support?
11. Does your system support the application of any bar code format?
12. Does your system support Tall Man Lettering?
13. Are labels temperature and moisture resistant?
14. Does your packager support amber packaging for oral solids?
15. Describe the audit trails present in your system
16. Does your solution support a single-formulary database?
17. Is your solution capable of multi-tasking?
18. Describe your system's package layout design capabilities.

19. Describe your system's reporting capabilities
20. Do you offer domestic canister calibration?
21. Please describe your product's integration benefits.
22. Does your system feature a drug image library?
23. Can a single drug be assigned to more than one canister?
24. Does your system offer alerts for critical low inventory?
25. Does your system utilize a scale to leverage perpetual inventory?
26. Please describe the available packaging sizes?
27. Describe the checking process for medications which are converted from bulk to unit dose packaging?
28. Does your system allow for batch checking by a pharmacist after the medications have been packaged?

Integration

1. Please describe the level of integration your company can provide between products proposed in this bid.
2. Describe any and all required interfaces
3. Is your company able to provide us with a closed-loop solution?
4. Describe your analytics to encompass multiple dispensing technologies; Do you have dash board reporting capability?
5. How does RCRMC direct the different type of dispensing between the each automation component?
6. How do I manage the formulary?

Addendum 3

Intentionally omitted due to the proprietary
information contained in the document.

BLANK DEA FORM-222
U.S. OFFICIAL ORDER FORM - SCHEDULES I & II

See Reverse of PURCHASER'S Copy of Instructions		No order form may be issued for Schedule I and II substances unless a completed application form has been received, (21 CFR 1305.04).		OMB APPROVAL No. 1117-0010	
TO: (Name of Supplier)			STREET ADDRESS		
CITY and STATE		DATE	TO BE FILLED IN BY SUPPLIER		
			SUPPLIERS DEA REGISTRATION No.		

LINE No.	No. of Packages	Size of Package	Name of Item	National Drug Code	Packages Shipped	Date Shipped
TO BE FILLED IN BY PURCHASER						
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

◀ LAST LINE COMPLETED *(MUST BE 10 OR LESS)*

SIGNATURE OR PURCHASER OR ATTORNEY OR AGENT

Date Issued	DEA Registration No.	Name and Address of Registrant
Schedules		
Registered as a	No. of this Order Form	

DEA Form-222
(Oct. 1992)

U.S. OFFICIAL ORDER FORMS - SCHEDULES I & II
DRUG ENFORCEMENT ADMINISTRATION
SUPPLIER'S Copy 1

RIVERSIDE COUNTY REGIONAL MEDICAL CENTER
DEPARTMENT OF PHARMACY

		Page 1	of 2
Subject: **RETURNED, DISCONTINUED/UNUSED, EXPIRED DRUGS**	Effective date: 2/79	Policy No. 110	
	Supersedes:	Revised Date: 1/05, 2/08, 5/09	

Departments Consulted: Pharmacy Nursing	Reviewed & Approved by: Pharmacy CNO Katherine Eaves P&T Committee	Approved by: _____ Pharmacy _____ Chair, Pharmacy & Therapeutics

POLICY

Medications returned to the pharmacy are appropriately managed.

The pharmacy will ensure that all medications dispensed are within manufacturers dating for potency. Any drugs, which are outdated or show signs of deterioration or loss of potency, will be discarded according to the procedures described. Previously dispensed but unused, expired, or returned medications will be accounted for and controlled.

PROCEDURES

A. Drugs are considered outdated on the first day of the month, rather than the last day unless otherwise specified by the manufacturer. For example, an expiration date of 3/05 would bed interpreted as 3/1/05.

B. Medications will be inventoried monthly by pharmacy staff for expiration date and will be removed prior to the month of expiration. These will be returned to the main pharmacy and placed in the return bin for disposition (i.e., crediting or destruction).

C. Outpatient Medications Returns
   No medications can be returned to the pharmacy inventory once it has been dispensed to the patient.

D. Clinic and Nursing Unit Returns
   Discontinued and outdated drugs and containers with worn, illegible or missing labels should be returned to the pharmacy to stock and reused.

E. Upon discharge, the nursing units will return all medications in a patient's medication bin to the pharmacy. Any medication at a patient's bedside, has been opened, or been in part of any

isolation area should be disposed of in the appropriate waste container.

F. Disposition of Returns in the Pharmacy
Previously dispensed but unused medications will be credited under the patient's profile so all charges and credits will be captured. If the medication is outdated or unusable, the proper procedure for handling outdated medications will be followed as outlined below.

All outdated drugs returned to the pharmacy will be evaluated by the pharmacy staff and those items returnable to the manufacturer for credit will be segregated in the 'Returns' section. All items held in the 'Returns' section are isolated and must not be dispensed or moved. Periodically, the outdated merchandise will be processed by a Riverside County contracted Pharmaceutical Waste Management vendor for credit or disposal via the appropriate vendor or manufacturer by the inventory clerk staff.

G. Drugs returned to the pharmacy and determined to be unreturnable for credit from the manufacturer will be placed in the pharmaceutical waste container in the pharmacy, sealed, for pickup and disposal by Environmental Services and according to toxic wastes guidelines. The inventory clerk staff will notify Environmental Services to pick up the container when necessary.

H. Stock Received in the Pharmacy
All stock received from the manufacturer will be checked by the pharmacy inventory staff. Stock will be checked for impending outdates or for any visible signs of deterioration. And unusable medications will be placed in the 'Returns' section for proper disposition and the appropriate company notified.

I. The pharmacy medication inventory will be checked monthly for outdates or overt signs of deterioration. The outpatient bulk stock will be reviewed by the inventory clerks. The inpatient, IV admixtures and chemotherapy inventory will be reviewed by assigned pharmacy technician. Medication will generally be removed from stock on the month prior to the manufacturer's expiration date or if there are signs of deterioration and placed in the 'Returns' section as previously described.

J. Controlled Substance Returns
Any unusable and unreturnable control drugs must be disposed of according to the DEA instructions. See Pharmacy Policy and Procedure 110.1.

Medication Area Inspection

Location_____   Month/Year _____

	Yes	No	N/A	Remarks
Medication Preparation Area				
Medication preparation area is clean, neat, and well organized.				
Patient and Stock Medications				
Only authorized medications are present. (There are no excess medications, unauthorized storage areas, or unidentified patient medications.)				
All medications are locked.				
All medications, especially high-alert medications (e.g., warfarin, heparin, heparin flush) are available in unit dose only.				
Tops of automated storage and distribution devices and medication carts are free of medications.				
Medications to be returned to pharmacy are in the authorized location.				
All medications are within their expiration or beyond-use dates. (Check bulk supplies, refrigerator, etc.)				
Check of two patient records and medications (automated storage and distribution devices, medication drawer, MAR, chart) matched.				
Check of two MARs show nursing reconciliation documentation.				
All high-alert intravenous solutions (e.g., heparin) are available only in pre-mixed form.				
Floor-stock insulins are separated in their appropriate bin(s) and labeled as high-alert.				
Check of automated storage and distribution devices for two items reveal correct count and within expiration dates.				
Internal and external bulk stock is separated.				
Controlled Substances				
Automated storage and distribution devices and manual systems are free of unresolved discrepancies.				
Refrigerator				
Refrigerator temperature is between 36°F and 46°F (2°C and 8°C) Note temperature:				
Freezer temperature is between –4°F and 14°F (–25°C and -10°C). Note temperature:				
Refrigerator is clean.				
Freezer is free from frost.				
Refrigerator and freezer logs are complete for every day this month.				
Only medications are stored in the refrigerator and freezer. (No food, lab reagents or specimens are allowed.)				
Miscellaneous				
Single-dose vials are destroyed after one entry.				
Multiple-dose vials are dated with the date entered and used within 28 days (or shorter period if appropriate).				
The current formulary is present and can be located by a nurse.				
Only current (within 2 years) reference books are present.				
Saline syringes are appropriately stored.				
The necessary corrections have been made since the last inspection.				

Corrective Actions for All *No* Responses

_____

_____

Pharmacist Signature and Date   **Charge Nurse Signature and Date**

RIVERSIDE COUNTY REGIONAL MEDICAL CENTER
DEPARTMENT OF PHARMACY – Moreno Valley

		Page 1 of 1	
Subject: **Pharmacy Access**	Effective date: 12/09		Policy No232
	Supersedes:		Revised Date:
Departments Consulted: Pharmacy	Reviewed & Approved by: Pharmacy	Approved by:	
		Pharmacy	

PURPOSE:
The safety of pharmacy staff and security of medications are priorities at RCRMC. Only authorized personnel will have access to pharmacy and the pharmacy narcotic vault.

POLICY:
1. No person other than a pharmacist, an intern pharmacist, or a pharmacy technician will have access to the pharmacy department. The director of pharmacy or the pharmacist-in-charge can permit access to students, housekeeping staff, and visitors when necessary. Visitors must be accompanied at all times by a pharmacy staff member during the visit.
2. Only a pharmacist can have access to the narcotic vault. Other staff must be accompanied by a pharmacist while in the narcotic vault.
3. Pharmacy administrator on-call will have access to the backup keys stored in a locked box in room E1119.
   a. Backup keys to the narcotic vault
   b. Backup keys to the disaster stock room
   c. Backup keys for Pyxis – a second set of keys is stored in the narcotic vault and is accessible to the pharmacist
4. Director of pharmacy has the master key which will unlock the pharmacy doors, offices, and narcotic room if needed.

PROCEDURE:
In case of emergency or power outage, the pharmacist-in-charge will obtain a backup key to access the pharmacy and narcotic vault. No other person than a pharmacist will have access to the backup key.
1. Notify the administrator on-call or the director of pharmacy about the emergency or power outage prior to obtaining the backup key.
2. The administrator on-call or the director of pharmacy will provide the emergency key or instructions to obtain emergency access to the pharmacy and/or narcotic vault.

County of Riverside

INTERNAL AUDIT REPORT

2008-013

Riverside County Regional Medical Center

**Operating Room
Materials and Supplies Procurement and Inventory
Processes**

May 24, 2010

COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE
AUDITOR-CONTROLLER

Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

May 24, 2010

Douglas D. Bagley
Chief Executive Officer
Riverside County Regional Medical Center
26520 Cactus Avenue
Moreno Valley, CA 92555

Subject: **Internal Audit Report 2008-013: Riverside County Regional Medical Center, Operating Room, Materials and Supplies Procurement and Inventory Processes**

Dear Mr. Bagley:

We have completed an audit of the Riverside County Regional Medical Center (RCRMC) Operating Room (OR). Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of internal controls over procurement and inventory of operating room materials and supplies. We conducted the audit during the period February 1, 2008, through October 31, 2008, for operations of March 1, 2006, through August 31, 2008.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective as described in the preceding paragraph is achieved. An audit includes examining, on a test basis, evidence about the adequacy and effectiveness of internal controls, compliance with applicable laws, and regulations, and performing such other procedures as we considered necessary. We believe the audit provides a reasonable basis for our opinion.

Internal controls are processes designed to provide management reasonable assurance of achieving efficiency of operations, compliance with laws and regulations, and reliability of financial information. Management is responsible for establishing and maintaining adequate internal controls, our responsibility is to express an opinion on them based on our audit.

In our opinion, the existing internal controls are not adequate and effective for managing the diverse and expensive inventory items handled by the OR. The automation of the OR materials management process is necessary to improve and sustain required internal controls. We believe that improvements in internal controls should bring about increased inventory turnover, potentially reducing inventory by as much as $1.6 million.

We thank the RCRMC management and staff for their cooperation and assistance.

Robert E. Byrd, CGFM
County Auditor-Controller

By: George C. Tabora, CPA
Audit Manager

Cc   Board of Supervisors
      Grand Jury

Table of Contents

Executive Summary

Audit Objective

Our audit objective is to provide management and the Board of Supervisors with an independent assessment of the adequacy and effectiveness of Riverside County Regional Medical Center's (RCRMC) internal controls over procurement and inventory of operating room materials and supplies.

Overview

RCRMC, located in the city of Moreno Valley, is a 520,000 square foot state-of-the-art adult and pediatric patient care facility, capable of handling trauma and specialty cases. The hospital is licensed for a total of 439 beds. The hospital provides patient care at all stages of a patient's stay from admission, surgery, recovery, through discharge. There are 12 operating suites, with over 8,000 surgeries performed each year. The Operating Room (OR) uses ORSOS (Operating Room Scheduling Office System), for scheduling patient surgeries, maintaining surgeon preference cards, and documenting services performed.

The purchasing function for the OR is administered by the Materials Management department using PeopleSoft, the county's financial enterprise system. As currently deployed, RCRMC's use of PeopleSoft is limited to utilizing the system's purchasing functionality. PeopleSoft's perpetual inventory functionality is not utilized. RCRMC's materials management information requirements are largely derived from manual spreadsheets and by performing spot physical inventory counts throughout the year and a full count at the end of the fiscal year. The OR issued 4,000 purchase orders in fiscal year 2008 for approximately 5,000 stock keeping unit (SKU) items. Due to the sheer volume of materials and supplies used by the OR, a manual system is not adequate and dependable.

The OR's inventory turnover per year is less than six; a common goal of materials managers is to maintain an inventory turnover rate of 12. The higher the number of inventory turns, the less capital is invested at any given time. With suppliers typically guaranteeing product delivery within two days for most medical/surgical supply items, the OR has the potential to realize a higher inventory turnover and a lower investment in inventory on-hand.

RCRMC started a value analysis program to further lower its materials and supplies costs by identifying and using comparable products with lower costs and buying through the use of Group Purchasing Organizations (GPO) procurement programs. RCRMC reduced the cost of various OR products sourced through GPO agreements by an average of 10 to 15 percent. RCRMC management believes that further cost-saving opportunities from various GPO programs and discount incentives will continue.

An analysis of the OR's materials and supplies usage for two fiscal years is presented below:

	FY07	FY08
Cost of Materials and Supplies Used		
Total Purchases	$14,683,686	$15,674,584
Beginning of year inventory	2,618,957	2,545,350
Less: End of year inventory	(2,545,350)	(3,203,408)
Cost of Materials and Supplies	$14,757,293	$15,016,526
Average Materials and Supplies Cost Per Surgery		
Total number of surgeries	8,736	8,882
Average cost of materials and supplies per surgery	$1,689	$1,691
Inventory Turnover		
Average inventory	$2,582,153	$2,874,379
RCRMC OR inventory turnover	5.72	5.22
Effect of Improvement in Turnover		
Most common inventory turnover goal of healthcare materials managers [1]	12	12
Projected inventory with 12 turnovers	$1,229,774	$1,251,377
Freed RCRMC capital with 12 turnovers	$1,352,379	$1,623,002

[1]   Economics and Health System Research Publication, April 24, 2000. We did not find a more current Operating Room research data. However, with improvements in materials management systems, the inventory turnover benchmark has probably improved since April, 2000.

Audit Methodology   Our detailed audit objectives were to determine whether:

- Inventory and purchasing practices are in accordance with applicable laws, regulations, and established county and RCRMC policies.

- Inventories are properly recorded and safeguarded.

- Materials and supplies used are billed to patients promptly and accurately.

In order to achieve our audit objectives, we:

- Obtained an understanding of the applicable laws, regulations, board resolutions, and county and RCRMC policies.

- Completed a risk assessment.

- Analyzed inventory turnover.

- Interviewed RCRMC and county's Purchasing Department personnel on current purchasing and inventory practices and determined if the practices adhere to established policies and procedures.

- Determined whether proper segregation of duties exists.

- Tested the propriety of purchase and billing transactions.

Conclusion

In our opinion, the existing internal controls are not adequate and effective for managing the diverse and expensive inventory items handled by the Operating Room. The automation of the OR materials management process is necessary to improve and sustain required internal controls. We believe that improvements in internal controls should bring about increased inventory turnover, potentially reducing inventory by as much as $1.6 million.

Results

Purchasing

The purchasing process is performed mainly by RCRMC employees who have been designated specific roles in PeopleSoft. These roles are segregated by functional responsibility such as requisitioner, requisition approver, buyer, receiver, accounts payable processor, voucher processor and voucher approver.

A purchase is initiated by a requisitioner by creating a requisition workflow record in PeopleSoft. The workflow enables appropriate levels of requisition approvers to review and authorize the requisition. After approval of the requisition, a buyer generates and issues the purchase order. When the items ordered are received, the receiver records the receipt in PeopleSoft. Finally, when the vendor invoice is received, the accounts payable processor records the invoice. PeopleSoft matches the purchase order, receiving document, and the vendor invoice before generating payment to the vendor.

A breakdown of purchases is presented below:

Purchases By Account	Fiscal Year 2007		Fiscal Year 2008	
Prostheses	$ 8,977,977	61.1%	$ 9,661,888	61.7%
Medical and dental supplies	2,537,023	17.3%	2,541,675	16.2%
Instruments, minor medical	1,497,321	10.2%	1,413,274	9.0%
Surgical packs / sheets	824,281	5.7%	790,350	5.0%
Sutures / surgical needles	598,198	4.0%	697,440	4.5%
Others	248,886	1.7%	569,957	3.6%
Total Purchases	$14,683,686	100.0%	$15,674,584	100.0%
Number of SKUs [2]	4,956		4,990	
Number of purchase orders issued	3,480		4,075	
Number of vendors	173		197	
Purchased from top 5 vendors	$9,107,932	62.0%	$9,277,126	59.2%
Year-end inventory balance	$2,545,350		$3,203,408	

[2] Stock Keeping Unit - unique code assigned to a product.

Prostheses are artificial body implants, including materials like screws, drill bits, rods, plates and pace makers. More than half of prostheses are supplied by two vendors. Some items which are ordered to patient specifications are delivered directly to the OR before or on the day of surgery. Some vendors consign standard materials and bill the OR

based on actual usage. The OR manager reviews and forwards the vendor invoices and receiving documents to RCRMC Purchasing. Based on these documents, Purchasing creates a purchase requisition and purchase order in PeopleSoft. The purchase order is sent to the RCRMC Materials Management, based on which, the Materials Management receiving staff records the receipt of the items in PeopleSoft.

Stocks of standard surgical items, e.g. gowns, towels, trays, masks, sutures, catheters, and bandages, are maintained and stored in the main warehouse managed by the Materials Management department. The OR keeps an inventory of standard supplies which is replenished regularly from the main warehouse by Materials Management staff.

The OR management uses par levels (stock reorder points), determined based on historical usage, as benchmarks in making restocking decisions. Inventory balances are tracked using spreadsheets and spot counts. When a stock balance reaches par level as posted on stock shelves and spreadsheets, the stock is reordered.

Finding 1

The OR does not maintain an automated perpetual inventory of materials, but rather relies on a manual process of daily spot counts, visual inspections, and spreadsheets for tracking inventories and making restocking decisions. As a result, inventory shortages and overages are not determined and investigated nor can the effectiveness of the OR's materials management process be measured.

In the absence of an automated perpetual inventory system, we selected the 15 highest-valued inventory items for testing. For these 15 items totaling $272,977, we computed the available inventory during fiscal year 07/08 by adding the purchases made during 07/08 to the June 30, 2007, physical inventory count balance. We compared the computed available inventory to the June 30, 2008, physical count balance for reasonableness. Based upon this comparison, we observed the following:

1. The June 30, 2008, physical inventory count for nine of 15 inventory items indicated more items were on-hand compared to the computed available inventory balance. The inventory discrepancies, with total cost estimated at $132,801, are indicative of either unrecorded inventory receipts or errors in the physical inventory count.

2. Six of 15 items were reordered in fiscal year 07/08 when enough stock was on hand for those items. This condition indicates that items were miscounted during daily spot checks or that par levels were overstated.

3. Four of 15 items had an inventory turn rate of less than one, which indicates than an average of one year stock is kept on hand for these four items.

During our test of par levels, we noted discrepancies between the par level posted on the spreadsheets and on the stock shelves. Of 244 items tested, 158 items (65 percent) either had no par level indicated on the spreadsheet or the par level indicated on the spreadsheet did not match with what was on the shelf. Of the 100 items that did have par level for both the shelf and the spreadsheet, (26 percent) of the items had balances per the June 30, 2008, physical count that are lower than the par level. We also noted that a maximum quantity limit was not set for restocking inventories to prevent overstocking.

Recommendation 1.1 Improve current procedures to mitigate the internal control weaknesses noted. These procedures should ensure inventories are properly accounted and can be depended upon for making accurate restocking decisions. These procedures will include updating the inventory spreadsheets to reflect accurate inventory balances and performing quarterly cycle counts of inventories in all areas. A process for resolving inventory discrepancies should be part of these procedures. Document and make the procedures available to all employees concerned.

Management Reply Concur. "Currently, all inventory controls within the operating room rely on manual processes utilizing spreadsheets, and manual counting methods. The operating room is developing procedures aimed at improving existing inventory controls, spreadsheet accuracy, and par levels.

"Going forward, quarterly cycle counts will be performed by the lead hospital supply technician according to materials management department policy number 20: Audits, Reconciliations, & Inventory. The items to be counted will be based on usage, cost, and product specialty. A corrective action plan for inventory discrepancies will be provided to the chief nursing officer, assistant hospital administrator, and materials management supervisor for review."

Recommendation 1.2 Develop plans for fully automating the OR inventory management process.

Management Reply Concur. "Currently the OR is managing patient billing with the ORSOS operating room system. The capability of the current operating room system, ORSOS, allows scheduling, documentation of procedures, manual billing and minimal report generation. The billing information is manually entered based on implant records, physician preference cards and patient charge cards. The monitoring of the process is conducted by five (5) random chart reviews per month for accuracy. This is reported to patient accounts and purchasing for correction.

"The current version of PeopleSoft is a government version and not fully suited to meet the needs of the hospital. The version of PeopleSoft the hospital currently cannot be upgraded to include: 1) bar-coding, 2) electronic data interchange (EDI) capability and 3) real-time pricing. Given the current format, the inventory management has been automated to its fullest capability. The current operating room system, ORSOS, will no longer be supported. A request for proposal (RFP) to replace the current system is in process. Included in the RFP is a request for bar coding, electronic data interchange capability and real-time pricing.

"The operating room has investigated and is in favor of "just-in-time" ordering as their supply chain distribution program. This will reduce the operating rooms high-value inventories.

"Fully automating the OR inventory management process requires complete and integrated supply chain management solution(s). Supply chain automation makes it possible to link the entire health care supply chain into a single, integrated process. The process includes requisitioning, invoice matching, usage tracking, contract compliance, and rebate attainment aligning with locally negotiated contracts or group purchasing organization (GPO) contracts. The automated system will provide a method of regular reporting of inventory management. Allocation of resources for reconciliation of discrepancies and duplication will be reduced with the adoption of automated processes."

OASIS' Reply

"The current version of PeopleSoft has the capability to meet the needs of the Hospital. The County has implemented bar-coding functionality; the Hospital is currently not using this functionality. EDI and real-time pricing is also available through a service contracted by OASIS that is compatible and can be implemented with our current version of PeopleSoft. The Hospital has not initiated projects with OASIS to implement and rollout these requirements available with our current version of PeopleSoft."

Finding 2

The use of purchase orders to record receipts eliminates a crucial internal control and does not establish individual accountability. For materials delivered directly to the OR, the established practice has been for Purchasing to create the purchase requisition and purchase order after receipt of the vendor invoice and delivery document from the OR manager. This results in the inability to establish accountability and delays in processing vendor payments.

Our review of 82 vendor invoices totaling $309,053 disclosed the following:

- Twenty-one invoices were forwarded to Materials Management between six and 30 days after surgery.

- Seven invoices were forwarded to Materials Management between 31 and 45 days after surgery.

- Seven invoices were forwarded to Materials Management 46 or more days after surgery.

- Forty-nine invoices did not have the receiver signature acknowledging the receipt of the item or service.

- Four invoices did not have the OR manager authorization signature.

Furthermore, our review indicated the current procedures did not require a timeline when vendor invoices were to be reviewed and forwarded by OR to Purchasing. Auditor-Controller Standard Practice Manual Policy 1200 requires procedures be in place to ensure transactions are authorized appropriately and recorded accurately and timely.

Recommendation 2

Develop procedures to ensure that shipments are authorized, verified against delivery documents, have the appropriate OR staff signatures and address a timeline for forwarding the relevant documents for further processing.

Management Reply

Concur. "Once the peri-operative services manager and/or designee receive and approve shipments, the invoices are forwarded to the purchasing department for processing within 3 to 5 business days. RCRMC material management department has developed policy number 32 entitled 'Surgical Implants, three-way match receiving guidelines.' A three-way match compares the requisition, purchase order, and the supplier's invoice for the received items."

Finding 3

With regard to consigned materials in the OR, we noted:

- The OR did not retain a copy of delivery documents or inventory count sheets to support the receipt of consigned items; and

- Written consignment agreements could not be provided for review.

The consignment process is not sufficiently documented to clearly establish responsibility between the vendor and RCRMC for lost, damaged, or obsolete consigned goods. Furthermore, procedures are not documented to ensure that consignment transactions, including usage, are properly authorized and recorded.

Recommendation 3.1

Develop procedures for tracking consignment inventories and maintaining supporting documentation.

Management Reply   **Concur.** "In an effort to curb costs in purchasing and maintaining expensive surgical inventories, the operating room is engaged in maintaining a consignment program. In conjunction with materials management, peri-operative services has developed and is implementing a policy and procedure number 3.9 'Consignment Policy and Procedure' for accepting, tracking and maintaining all consignment inventories. Currently, the peri-operative services manager and designee are maintaining the consignment program."

Recommendation 3.2 Document the consignment agreement with the vendor, including payment terms, restocking process, and parties' responsibilities over losses, insurance, and expired items.

Management Reply   **Concur.** "Consignment agreements are provided by the vendor. Consignment agreements include payment terms, restocking processes and delineate the responsibilities for item loss and expiration. Consignment agreements are maintained through processes included in the consignment policy and procedure number 3.9 titled 'Consignment Policy and Procedure.' RCRMC purchasing and the peri-operative services manager review and approve all consignment agreements. The terms and conditions of consignment agreements meet the county guidelines."

Finding 4   A unique PeopleSoft item ID was not set up for specific contracted diagnostic services with different hourly rates preventing PeopleSoft from performing a systematic validation of charges against vendor invoices. Various contracted diagnostic services were consolidated in one PeopleSoft item ID. Furthermore, service hours were totaled and rounded-off or not entered at all.

Recommendation 4   Establish a separate PeopleSoft item ID for each specific professional contract service to facilitate service contract hours to be billed for each specific service. The item should be set up so that the hours are not rounded off.

Management Reply   **Concur.** "At the time of the audit, professional contract service hours billed by the provider were entered into PeopleSoft using generic identifiers. The generic identifier was linked to more than one professional service contract. This caused difficulty reconciling specific time increments against invoiced charges.

"This process will be amended to provide for a unique line item for each billable service per each professional service contract. The county procurement contract specialist (PCS) is responsible for building the line items within PeopleSoft allowing for contract specific line items to be built and charged according to contract terms. Professional contract services actual hours are included as part of the line item. The

professional contract services will be verified by the contracts analyst for accuracy at the time the contract is built and annually during contract renewal."

Results	**Patient Charges**

The materials and supplies used for a patient are tracked using ORSOS, a software package used by RCRMC for scheduling surgeries and maintaining surgeon preference cards. A surgeon's preference card is a pre-surgery listing of materials and supplies preferred by the attending surgeon. The listing is later updated to reflect the materials and supplies actually used. Charges for services rendered during surgery, which are based on the patient's acuity level and the time spent in surgery and recovery, are also recorded in ORSOS. This information is posted to the patient's account along with other departments' charges which are maintained by the Siemens billing system. The Siemens billing system is used to generate bills for patients or insurers and other outside agencies responsible for the payment of patient charges.

Each service, material and supply used has an assigned service code which determines the rate at which the patient is charged. These rates are documented on a master list called the Charge Master. The Charge Master manager, within the hospital's fiscal unit, sets up the billing rates in Siemens based on the service code rate plus markup. Materials and supplies used are entered in the system by the OR staff for billing.

When a surgical implant is used on a patient, an implant record is completed by the circulating nurse. If the implant is not setup in the Siemens billing system, the OR submits a charge form to RCRMC's Information Systems department which enters the data into the billing system. The OR maintains a log of all implants used and all charge forms submitted to Information Systems.

Finding 5

Based on our review of the billings related to a sample of 75 cases selected from 17,618 surgical cases performed between March 1, 2006, and February 29, 2008, we noted the following:

- Twenty-six items totaling $31,625 were not billed to the patient. Twelve of these were implants totaling $14,054 which needed to be setup in ORSOS and Siemens. However, the required setup forms were not submitted to Information Systems resulting in the patient not being billed for the items. Fourteen items, totaling $17,571 were not charged to the patient accounts because they were missed during the data entry process.

- Patient accounts were overcharged $2,783 because incorrect prices were used for billing. The pricing errors were due to incorrect units of measure. Based on a review performed by the OR, prices were later revised in the Charge Master to reflect the actual units of measure recorded in ORSOS.

In addition, our review indicated several vendor services were not recorded in ORSOS; thus, services performed on a patient are not completely tracked by ORSOS as intended. These services are shown as a lump sum on the patient's account. Since the breakdown of the services is not in any system, resolving inquiries regarding these patient charges require more time and effort.

Recommendation 5.1 Implement procedures to ensure that implant items are recorded in ORSOS.

Management Reply **Disagree.** "ORSOS is unable to record implants within the patient record. The tracking methods for implants are established and validated. This operating room system is no longer supported by the manufacturer. A request for proposal (RFP) for a replacement operating room management system is currently in process. With the purchasing of a new operating room system, all surgical supplies, including implants, will be bar-coded or charged directly off of the physician preference cards."

Auditor's Comment Management anticipates the proposed operating room management system replacement will correct the condition noted. The status of the reported condition will be evaluated during the follow-up audit.

Recommendation 5.2 Perform quarterly reviews of patient charges and communicate any discrepancies noted to Patient Accounts and Information Systems for corrective action.

Management Reply **Concur.** "Currently, RCRMC patient accounts department conducts a continuous medical auditing program. A random sampling of patients who have received intra-operative care is conducted. The patient accounts manager reports discrepancies to the peri-operative services manager. If discrepancies are found, the peri-operative services manager is consulted to validate the findings and charges are adjusted by patient accounts staff as needed."

Recommendation 5.3 Input billing by professional vendor service type in ORSOS to ensure that a complete record is maintained and patient charges properly itemized.

Management Reply **Concur.** "Currently, charges are entered manually from implant records, physician preference cards, and supply charge cards. ORSOS is a vital operating room scheduling and billing system with limited functionality and is no longer supported by the manufacturer. A request for proposal (RFP) for a replacement operating room management system is currently in process. Through this process, products will be identified that coordinate professional service type with itemized patient charges."

Results

Vendor Visitation

Vendors frequent the OR for varied business reasons such as delivering materials, demonstrating new products, or servicing equipment. While in the OR, vendors follow certain protocols contained in the hospital's vendor visitation policy.

Finding 6

A revised visitation policy which provides guidelines to address Health Insurance Portability and Accountability Act (HIPAA) privacy, health and safety regulations and county purchasing requirements has yet to be approved and formally communicated to the staff. This policy has been in draft form since June 2007. Without a formal policy, there are no clear guidelines to vendor visitations.

Recommendation 6

Finalize and enforce the vendor visitation policies and procedures to ensure compliance with HIPAA, health and safety regulations and county purchasing policies.

Management Reply

Concur. "Competency assessment for vendors is completed in accordance with RCRMC Administrative Policy number 116.1 'Competency Assessments for Vendors and Other Hospital Workers.' Supply vendors are required to check in with materials management and obtain a visitor pass."

Appendix A

**Riverside County Regional Medical Center
Management Reply**

RIVERSIDE COUNTY

REGIONAL MEDICAL CENTER

DATE: April 28, 2010

TO: Auditor-Controller
            Audits-and Specialized Accounting Division

FROM: Douglas Bagley, CEO
            Riverside County Regional Medical Center

SUBJECT: Reply to Draft Operating Room Materials Management Audit Report

Recommendation Number: 1.1
Improve current procedures to mitigate the internal control weaknesses noted. These procedures should ensure inventories are properly accounted and can be depended upon for making accurate restocking decisions. These procedures will include updating the inventory spreadsheets to reflect accurate inventory balances and performing quarterly cycle counts of inventories in all areas. Cycle counts will be performed by existing O.R. staff who are familiar with the O.R. supply area, however, backfill will be required during the count cycles. A process for resolving inventory discrepancies should be part of these procedures. Document and make the procedures available to all employees concerned.

Management position concerning the recommendation:

      X   Concur   Disagree

Comments:
Currently, all inventory controls within the operating room rely on manual processes utilizing spreadsheets, and manual counting methods. The operating room is developing procedures aimed at improving existing inventory controls, spreadsheet accuracy, and par levels.

Going forward, quarterly cycle counts will be performed by the lead hospital supply technician according to materials management department policy number 20: Audits, Reconciliations, & Inventory. The items to be counted will be based on usage, cost, and product specialty. A corrective action plan for inventory discrepancies will be provided to the chief nursing officer, assistant hospital administrator, and materials management supervisor for review.

Actual/estimated Date of Corrective Action: June 2010

Estimated cost to implement recommendation (If material)

No additional resources required

Appendix A – Audit Policy and Procedure, Audits Reconciliation and Inventory

Appendix B – Inventory Adjustment Express Log
Appendix C – Health Services Agency Material Management Report of Item Discrepancy

Recommendation Number: 1.2
Develop plans for fully automating the OR inventory management process.

Management position concerning the recommendation:

_____X____Concur   _____Disagree

Comments:
Currently the OR is managing patient billing with the ORSOS operating room system. The capability of the current operating room system, ORSOS, allows scheduling, documentation of procedures, manual billing and minimal report generation.   The billing information is manually entered based on implant records, physician preference cards and patient charge cards. The monitoring of the process is conducted by five (5) random chart reviews per month for accuracy. This is reported to patient accounts and purchasing for correction.

The current version of PeopleSoft is a government version and not fully suited to meet the needs of the hospital. The version of PeopleSoft the hospital currently has cannot be upgraded to include: 1) bar-coding, 2) electronic data interchange (EDI) capability and 3) real-time pricing. Given the current format, the inventory management has been automated to its fullest capability. The current operating room system, ORSOS, will no longer be supported. A request for proposal (RFP) to replace the current system is in process.   Included in the RFP is a request for bar coding, electronic data interchange capability and real-time pricing.

The operating room has investigated and is in favor of "just-in-time" ordering as their supply chain distribution program. This will reduce the operating rooms high-value inventories.

Fully automating the OR inventory management process requires complete and integrated supply chain management solution(s). Supply chain automation makes it possible to link the entire health care supply chain into a single, integrated process. The process includes requisitioning, invoice matching, usage tracking, contract compliance, and rebate attainment aligning with locally negotiated contracts or group purchasing organization (GPO) contracts. The automated system will provide a method of regular reporting of inventory management. Allocation of resources for reconciliation of discrepancies and duplication will be reduced with the adoption of automated processes.

Actual/estimated Date of Corrective Action: <u>May 2011</u>

Estimated cost to implement recommendation (If material)

<u>$1.3 million for the purchase and implementation of a new operating room management system (estimated)</u>

Appendix D – RFP Operating Room and Anesthesia System

Recommendation Number: 2
Develop procedures to ensure that shipments are authorized, verified against delivery documents, have the appropriate OR staff signatures and address a timeline for forwarding the relevant documents for further processing.

Management position concerning the recommendation:

_____X_____Concur _____Disagree

Comments:
Once the peri-operative services manager and/or designee receive and approve shipments, the invoices are forwarded to the purchasing department for processing within 3 to 5 business days. RCRMC material management department has developed policy number 32 entitled "Surgical Implants, three-way match receiving guidelines." A three-way match compares the requisition, purchase order, and the supplier's invoice for the received items.

Actual/estimated Date of Corrective Action: Completed

Estimated cost to implement recommendation (If material)

No additional resources are required for this process.

Appendix E – Three Way Match Policy

Recommendation Number: 3.1
Develop procedures for tracking consignment inventories and maintaining supporting documentation.

Management position concerning the recommendation:

_____X_____Concur _____Disagree

Comments:
In an effort to curb costs in purchasing and maintaining expensive surgical inventories, the operating room is engaged in maintaining a consignment program. In conjunction with materials management, peri-operative services has developed and is implementing a policy and procedure number 3.9 "Consignment Policy and Procedure" for accepting, tracking and maintaining all consignment inventories. Currently, the peri-operative services manager and designee are maintaining the consignment program.

Actual/estimated Date of Corrective Action: May 2010

Estimated cost to implement recommendation (If material)

No additional resources are required

Appendix F – Operating Room Consignment Policy and Procedure

Recommendation Number: 3.2
Document the consignment agreement with the vendor, including payment terms, restocking process, and parties' responsibilities over losses, insurance, and expired items.

Management position concerning the recommendation:

    X   Concur   Disagree

Comments:
Consignment agreements are provided by the vendor. Consignment agreements include payment terms, restocking processes and delineate the responsibilities for item loss and expiration. Consignment agreements are maintained through processes included in the consignment policy and procedure number 3.9 titled "Consignment Policy and Procedure." RCRMC purchasing and the peri-operative services manager review and approve all consignment agreements. The terms and conditions of consignment agreements meet the county guidelines.

Actual/estimated Date of Corrective Action: May 2010

Estimated cost to implement recommendation (If material)

No additional resources are required

Appendix F – Operating Room Consignment Policy and Procedure

Recommendation Number: 4
Establish a separate PeopleSoft item ID for each specific professional contract service to facilitate service contract hours to be billed for each specific service. The item should be set up so that the hours are not rounded off.

Management position concerning the recommendation:

    X   Concur   Disagree

Comments:
At the time of the audit, professional contract service hours billed by the provider were entered into PeopleSoft using generic identifiers. The generic identifier was linked to more than one professional service contract. This caused difficulty reconciling specific time increments against invoiced charges.

This process will be amended to provide for a unique line item for each billable service per each professional service contract. The county procurement contract specialist (PCS) is responsible for building the line items within PeopleSoft allowing for contract specific line items to be built and charged according to contract terms. Professional contract services actual hours are included as part of the line item. The professional contract services will be verified by the contracts analyst for accuracy at the time the contract is built and annually during contract renewal.

Actual/estimated Date of Corrective Action: July, 2010

Estimated cost to implement recommendation (If material)

This is part of normal job function, no additional costs are estimated.

Recommendation Number: 5.1
Implement procedures to ensure that implant items are recorded in ORSOS.

Management position concerning the recommendation:

_____Concur   _____X_____Disagree

Comments:
ORSOS is unable to record implants within the patient record. The tracking methods for implants are established and validated. This operating room system is no longer supported by the manufacturer. A request for proposal (RFP) for a replacement operating room management system is currently in process. With the purchasing of a new operating room system, all surgical supplies, including implants, will be bar-coded or charged directly off of the physician preference cards.

Actual/estimated Date of Corrective Action: Fiscal Year 2010/2011

Estimated cost to implement recommendation (If material)

$1.3 million for the purchase and implementation of a new operating room management system (estimated)

Appendix D – RFP Operating Room and Anesthesia System

Recommendation Number: 5.2
Perform quarterly reviews of patient charges and communicate any discrepancies noted to Patient Accounts and Information Systems for corrective action.

Management position concerning the recommendation:

_____X___Concur   ·_____Disagree

Comments:
Currently, RCRMC patient accounts department conducts a continuous medical auditing program. A random sampling of patients who have received intra-operative care is conducted. The patient accounts manager reports discrepancies to the peri-operative services manager. If discrepancies are found, the peri-operative services manager is consulted to validate the findings and charges are adjusted by patient accounts staff as needed.

Actual/estimated Date of Corrective Action: Completed and ongoing

Estimated cost to implement recommendation (If material)

No additional resources are required for this process

Recommendation Number: 5.3
Input billing by professional vendor service type in ORSOS to ensure that a complete record is maintained and patient charges properly itemized.

Management position concerning the recommendation:

_____X_____Concur   _____Disagree

Comments:
Currently, charges are entered manually from implant records, physician preference cards, and supply charge cards. ORSOS is a vital operating room scheduling and billing system with limited functionality and is no longer supported by the manufacturer. A request for proposal (RFP) for a replacement operating room management system is currently in process. Through this process, products will be identified that coordinate professional service type with itemized patient charges.

Actual/estimated Date of Corrective Action: <u>Fiscal Year 2010/11</u>

Estimated cost to implement recommendation (If material)

<u>Replacement cost included in recommendation 5.1</u>

Appendix D – RFP Operating Room and Anesthesia System

Recommendation Number: 6
Finalize and enforce the vendor visitation policies and procedures to ensure compliance with HIPAA, health and safety regulations and county purchasing policies.

Management position concerning the recommendation:

_____X_____Concur   _____Disagree

Comments:
Competency assessment for vendors is completed in accordance with RCRMC Administrative Policy number 116.1 "Competency Assessments for Vendors and Other Hospital Workers." Supply vendors are required to check in with materials management and obtain a visitor pass.

Actual/estimated Date of Corrective Action: <u>Completed</u>

Estimated cost to implement recommendation (If material)

<u>No additional resources are required for this process.</u>

Appendix G - Competency Assessments for Vendors and Other Hospital Workers

APPENDIX A

AUDITS

RECONCILIATION

& INVENTORY

		Page 1	of 4
Subject: **Audits, Reconciliation, & Inventory**	Effective date: 09/28/2008		
		Policy No. 20	
	Supersedes:	Revised Date: 09/21/2008	

Departments Consulted: --Fiscal Services	Reviewed & Approved by: *[signature]*	Approved by: _____

PURPOSE

To describe the reconciliation of items ordered, items received in the Material Management Department, and items subsequently distributed throughout the Medical Center.

POLICY

Various routine audits are conducted to ensure the integrity of the delivery and distribution processes as well as the financial integrity of the organization are maintained.

PROCEDURES

Various audits are conducted. Routine internal audits are conducted; and the Medical Center and the County also conduct periodic audits.

Protocol is based upon the Internal Control Handbook published by the County Auditor-Controller's Office.

Custodianship of records that confers authorization to adjust inventory levels is designated to specific individuals.

A. Routine Daily Reconciliation of Non-Stock Items

The accuracy of deliveries is verified by a perpetual internal audit process that is coordinated by Department management. The following process pertains to Non-Stock Items, and excludes personal property items that might be intended for an employee or a patient. (See "Receiving Process" and "Delivery & Distribution of Products.")

A Receiving Stock Clerk verifies in-coming deliveries by reviewing each physical item relative to the packing slip provided by the vendor. The Stock Clerk signs and dates each packing slip to acknowledge that the delivery was received appropriately. The Stock Clerk subsequently enters the Purchase Order [P.O], or receipt number into the PeopleSoft system.

The Stock Clerk also forwards the signed packing slip and the Receipt Delivery Detail Report to the Accounting Assistant II [AAII] who, with clerical assistance, reviews the packing slip for receiving signature and quantities received; and who reconciles the packing slip relative to the PeopleSoft Receiver Report.

The Receiving Clerk typically delivers refrigerated items, items delivered "Overnight/Priority," or items designated for the O.R. or Sterile Long Room. Deliveries are accompanied with the PeopleSoft "Receipt Delivery Detail Report" that is signed by the recipient. The Receiving and

Distribution: Stores / Linen P&P Manual

Storeroom Clerks also complete entries in the "Receiving & Delivery Log with Purchase Order No" and forwards the completed daily log to the AAII.

The AAII files the "Receiving & Delivery Log with Purchase Order No" in a binder. A single binder is comprised of documents pertaining to a single day's deliveries.

The records are maintained in the Department per Records Retention guidelines, and subsequently forwarded to a designated off-site location for perpetual storage.

Department management—the Sr. Administrative Analyst, and the Senior Accounting Assistant II—conducts random audits, at least weekly, to ensure systemic compliance with established protocol. Results that might include deviations and extraordinary issues are communicated to the Director of Material Management, who is the liaison between the Department and Fiscal Services administration.

The reconciliation of deliveries to the Receiving Office relative to items delivered to the intended recipients is conducted randomly, at least twice each week.

B. Routine Daily Reconciliation of Stock Inventory Items: PutAway Plan

Inventory items (as opposed to non-stock items) are managed similar to non-stock items, with the addition of the PutAway Report, which details/describes the distribution of items into the Storeroom rather than directly delivered to recipient departments as non-stock items.

The PutAway Plan Report details the allocation of Stock items to the Storeroom, based upon a systemic recognition of designated item numbers. The Putaway Plan Report is reviewed and signed by either of the two staff Storekeepers before the inventory supplies are stored on shelves.

The AAII generates an Inventory Adjustment/Express Log if a discrepancy exists between items entered by the Clerk and items acknowledged on the Receiving Summary and the Put-Away Report, which is absent a Staging ID# if a discrepancy or problem with a unit of measure is noted.

A copy of the Inventory Adjustment/Express Log is attached to a copy of the packing slip and forwarded to the Director to review and approve. Once approved, the Senior Accounting Assistant II makes necessary adjustments and conducts PeopleSoft Item Maintenance to prevent future similar discrepancies. Also, the vendor is contacted to determine the source of the discrepancy.

The Put-Away Report is filed in the daily binder that is managed by the Accounting Assistant II, who documents the reconciliation of Inventory items relative to items received in the Delivery Office.

The records are maintained in the Department per Records Retention guidelines, and subsequently forwarded to a designated off-site location for perpetual storage.

Department management—the Department Director, Sr. Administrative Analyst, and the Senior Accounting Assistant II—conducts random audits, at least weekly, to ensure systemic compliance with established protocol. Results that might include deviations and extraordinary issues are communicated to the Director, who is the liaison between the Department and Fiscal

The reconciliation of deliveries to the Receiving Office relative to items delivered to the Department Storeroom is conducted on a routine basis.

C. Inventories

1. Cycle Counts

Routine periodic audits referred to as Physical System Cycle Counts are conducted of items on hand on the Storeroom(s) at least quarterly throughout the year.

The inventory process is based upon a cycle count by section. Prior to counting the inventory, all purchase orders and put away items are completed for the section that is being inventoried. Storekeepers ensure that all items are put away and that all open requisitions are fulfilled. Express (paper backed) issues are entered in PeopleSoft, and all activities for items in that section are halted. The Storekeeper confirms this by completing all outstanding Picking Plans in PeopleSoft. The Administrative Services Analyst II (ASAII) creates a counting event in PeopleSoft, and prints the count sheets for that section. A team of Stock Clerks conduct the count with oversight by the ASAII, or Storekeeper; and the ASAII who enters the final count into PeopleSoft.

The ASAII generates a reconciliation report and analyzes the actual count versus the system quantities. The counting team reviews extraordinary discrepancies and makes revision to the original tally if the re-count reveals a faulty total.

The ASAII subsequently re-enters the correct amount into PeopleSoft and generates a supplemental reconciliation report. The ASAII finalizes the cycle count by generating a Stock Update in PeopleSoft. The Reconciliation Report and the count sheets are submitted to the Director to review.

2. Physical Inventory

A comprehensive inventory of all items is conducted at least once a year.

D. Custodianship of Records

Various levels of access are available to the PeopleSoft inventory management system. Access is controlled by OASIS management with recommendations by Department management and prior approval by Fiscal Services administration.

The Senior Accounting Assistant II and the Administrative Services Analyst II are authorized to make system adjustments pertaining to units of measure, and cost. The former is entrusted with the cost function, and the latter, with the unit of measure function. The Accounting Assistant II completes an Adjustment form that is attached to the Packing Slip, Receiving Detail Report, and Putaway Plan Report. The form subsequently is forwarded to the Director to review and approve; and to the Administrative Analyst to enter adjustments in PeopleSoft. The Form subsequently is returned to the Accounting Assistant II to file for future reference.

E. External Audits

RCRMC and Riverside County conducts routine, independent audits of Department activities to determine compliance with County and Medical Center guidelines and objectives.

Distribution: Material Management P&P Manual

The Fiscal Services Department periodically selects an independent entity to review functions and written policies to determine compliance with standardized County and industry protocol.

F. Miscellaneous Audits

The Department conducts various routine audits as well as studies in response to extraordinary issues. These include a weekly audit of Unit Floor Stock conducted by the Storekeeper, a monthly audit of all Units for expired items conducted by a designated Stock Clerk, routine audit of Forms conducted by the Accounting Assistant II to include unit rounds to ensure that defunct forms are not in circulation, routine monthly audits of all emergency Code Carts in circulation throughout patient care areas, linen distribution audits, etc. (This list is not all inclusive.)

G. Use of Data

Department management uses data as the basis of systematic decisions upon which the scope of services and stakeholder safety are based. Data and information is collected routinely and systematically either manually by staff or electronically by staff analysts. Data emanates from within the department and hospital and also from the external environment in the form of community standards.

APPENDIX B

INVENTORY

ADJUSTMENT

EXPRESS

INVENTORY ADJUSTMENT/ EXPRESS LOG

PO # _____
RECEIVER# _____
STAGING # _____
DATE: _____

PROBLEM: _____

ITEM ID # _____   ITEM DESCRIPTION: _____

UOM	QTY ON HAND	PEOPLESOFT QTY	ADJUSTMENT QTY	UNIT PRICE	EXTENDED PRICE	EXPLANATION OF VARIANCE

APPROVED BY _____   ADJUSTED BY: _____   DATE ADJ: _____

ITEM ID # _____   ITEM DESCRIPTION: _____

UOM	QTY ON HAND	PEOPLESOFT QTY	ADJUSTMENT QTY	UNIT PRICE	EXTENDED PRICE	EXPLANATION OF VARIANCE

APPROVED BY _____   ADJUSTED BY: _____   DATE ADJ: _____

ADJUSTMENT: _____

EXPRESS PUTAWAY: _____   To Wil _____   PUTAWAY _____

APPENDIX C

MATERIAL MANAGEMENT REPORT

OF ITEM DISCREPANCY

COUNTY OF RIVERSIDE HEALTH SERVICES AGENCY
MATERIAL MANAGEMENT REPORT OF ITEM DISCREPANCY

PREPARED BY/DATE	DATE MATERIAL RECEIVED	PURCHASE ORDER NO.
		25192

VENDOR	PACKING SLIP NUMBER	CARRIER

BILL OF LADING NUMBER/DATE (IF AVAILABLE)

CARRIER'S DELIVERY RECEIPT NUMBER/DATE

DISCREPANCY DATA: (SEE REMARKS FOR ADDITIONAL INFORMATION)

☐ 01 APPARENT DAMAGE
☐ 02 CONCEALED DAMAGE
☐ 03 DEFECTIVE ITEM
☐ 04 DAMAGED IN SHIPMENT
☐ 05 UNIDENTIFIABLE ITEM (SEE REMARKS OF REPORT OF ITEM DISCREPANCY)

☐ 06 OVERAGE
☐ 07 SHORTAGE
☐ 08 WRONG ITEM
☐ 09 MISDIRECTED ITEM
☐ 10 UNACCEPTABLE SUBSTITUTE

☐ 11 PACKAGING ERROR
☐ 12 OUTDATED OR CONTAMINATED ITEM
☐ 13 ITEM NOT LISTED ON PURCHASE ORDER
☐ 14 OTHER (SEE REMARKS OF REPORT OF ITEM DISCREPANCY)

TYPE OF DISCR	ITEM DESCRIPTION	UNIT OF MEASURE	QUANTITY ORDERED	QUANTITY RECEIVED	UNIT PRICE	TOTAL PRICE	AMT. OF CREDIT DUE

RECEIPT REMARKS

RESOLVE REMARKS

VENDOR TO ASSIGN A RGA CALL #

REMARKS

DATE ACTION TAKEN TO CORRECT DISCREPANCY	ACTION TAKEN BY	DATE OF VENDOR NOTIFIED	NAME OF PERSON NOTIFIED

VENDOR'S RETURNED GOODS POLICY:

DISPOSITION INSTRUCTIONS RECEIVED FROM VENDOR:

FINAL ACTIONS TAKEN/DATE

☐ RETURNED GOODS FORM PREPARED AND FORWARDED TO STORE ROOM
☐ SHIPPED BY STOREROOM

☐ ACTIONS COORDINATED WITH ACCOUNTING
☐ RETURN FOR CREDIT
☐ OVERAGE OR DUPLICATE SHIPMENT ACCEPTED

☐ VENDOR EXCHANGED ITEM
☐ CORRECT ITEM ORDERED
☐ DESTROYED DAMAGED GOODS

COMPLETED AND VERIFIED BY (SIGNATURE)

DOCUMENT NUMBER

FORM 248-S (Rev 4/99)

Distribution: WHITE - Purchasing Office   CANARY - Purchasing Office   PINK - Accounting   GOLDENROD - Pending

APPENDIX D

OPERATING ROOM +

ANESTHESIA SYSTEMS

County of Riverside
Purchasing and Fleet Services

Request for Proposal #MCARC-129
Closing Date: 03/18/10 on or before 01:30 P.M.

REQUEST FOR PROPOSAL #MCARC-129

Riverside County Regional Medical Center
Operating Room + Anesthesia Systems

By:
Rick Hai, Procurement Contract Specialist
Riverside County Purchasing & Fleet Services
2980 Washington Street
Riverside, CA 92504-4647
(951) 955-4937 / (951) 955-3730 (fax)
Email: rhai@co.riverside.ca.us

NOTE: BIDDERS ARE RESPONSIBLE TO READ ALL INFORMATION THAT IS STATED IN THIS REQUEST FOR PROPOSAL AND PROVIDE A RESPONSE AS REQUIRED

County of Riverside
Purchasing and Fleet Services

Request for Proposal #MCARC-129
Closing Date: 03/18/10 on or before 01:30 P.M.

TABLE OF CONTENTS

County of Riverside
Purchasing and Fleet Services

Request for Proposal #MCARC-129
Closing Date: 03/18/10 on or before 01:30 P.M.

INSTRUCTIONS TO BIDDERS

Buyer: Rick Hai   Email: rhai@co.riverside.ca.us

Visit our Website: www.purchasing.co.riverside.ca.us

Telephone: (951) 955-4937

I. **Vendor Registration** – Unless stated elsewhere in this document, vendor must register online at www.Purchasing.co.riverside.ca.us with all current Vendor information, to be registered on the County's database.

II. **Prices/Notations** All prices/notations must be typewritten or written in ink. No erasures permitted. Mistakes shall be crossed out, corrections made adjacent and initialed by person signing document. Each item shall be bid separately.

III. **Pricing/Terms/Tax** - All pricing shall be quoted both F.O.B. shipping destination, (e.g., cash terms less than 20 days should be considered net) excluding applicable tax. The County pays California Sales Tax and is exempt from Federal excise tax. In the event of an extension error, the unit price shall prevail.

IV. **Period of Firm Pricing** - Unless stated otherwise elsewhere in this document, prices shall be firm for 120 days after the RFP closing date. If the County elects to do negotiations that require additional time, the County may request bidder's prices be firm for an additional period of time to complete negotiations and award the contract.

V. **Recycled Material** - Wherever possible, the County of Riverside is looking for items made from, or containing in part, recycled material. Bidders are encouraged to bid items containing recycled material as an alternative for the items specified; however, the County reserves the right to reject those alternatives as non-responsive.

VI. **Method of Award** - The County reserves the right to reject any or all offers, to waive any discrepancy or technicality and to split or make the award in any manner determined by the County to be most advantageous to the County. The County recognizes that prices are only one of several criteria to be used in judging an offer and the County is not legally bound to accept the lowest offer.

VII. **Other Terms and Conditions** – The terms and conditions as indicated in this document and/or attached are hereby included with full force and like effect as if set forth herein. Copies of the applicable Terms and Conditions may be obtained by visiting the County's website at www.purchasing.co.riverside.ca.us or contact Riverside County Purchasing at the number shown above and request a copy to be faxed or mailed to you.

VIII. **Return of Bid/Closing Date/Return to** - The bid response shall be delivered to **Purchasing and Fleet Services, 2980 Washington Street, Riverside, CA 92504 by 1:30 p.m.** on the closing date listed above. Bid responses not received by County Purchasing by the closing date and time indicated above will not be accepted. The closing date and time and the R.F.Q./R.F.P. number referenced above shall appear on the outside of the sealed envelope. A duly executed copy of the signature page of this bid document must accompany your response. The County will not be responsible for and will not except late bids due to delayed mail delivery or courier services.

IX. **Auditing** – The Contractor agrees that Riverside, County the State of California, the Federal government, or designated representatives shall have the right to review and copy any records and supporting documentation pertaining to the performance of this contract. Contractor agrees to maintain such records for possible audit for a minimum of (3) years after final payment, or until closure of pending matter unless a longer period of records retention is stipulated. Contractor agrees to allow auditor(s) access to such records during normal business hours and allow interviews of any employees or others who might reasonably have information related to such records. Further, the Contractor agrees to include a similar right of Riverside County, the State of California, or the Federal government to audit records and interview staff in any subcontract related to the performance of this contract.

X. **Local Preference** - The County of Riverside has adopted a local preference program for those bidders located within the County of Riverside. A five percent (5%) price preference may be applied to the total bid price during evaluation of the bid responses. To qualify as a local business, the business must have fixed offices within the geographical boundaries of Riverside County and must credit all sales taxes paid resulting from this RFQ/P to that Riverside County location. To qualify for local preference BIDDER must include a copy of a Riverside Business Tax Certificate that supports the local preference status and complete Form 116-260 Local Business Qualification Affidavit. Application of this local preference may be waived if funding sources disallow it.

Or

XI. **Disabled Veteran Business Enterprise Preference** - The County of Riverside has implemented a Disabled Veteran Owned Business preference policy. A three (3) percent preference shall be applied to the total bid price of all quotes/bids/proposals received by the County from certified disabled veterans owned businesses. Bidder must provide certification of Disabled Veteran Status. If the bid is submitted by a non-Disabled Veteran owned business, but lists subcontractors that are identified and qualified as Disabled-Owned Business, the total bid price will be adjusted by 3% of the value of that subcontractor's portion of the bid.

IF CHECKED, THE FOLLOWING DOCUMENTS HEREBY MADE PART OF THIS RFQ/P
Please go to www.purchasing.co.riverside.ca.us to access these terms and conditions

X APPENDIX "A"	X EXHIBIT (A-D)	· PLANS/DRAWINGS	___ SAMPLES	
___ #116-110	Special Conditions/Response		___ 116-130	Equipment Information Sheet
X #116-260	Local Business Qualification Affidavit		___ 116-311	Boilerplate Agreement

IF CHECKED, THE FOLLOWING GENERAL CONDITIONS ARE INCLUDED WITH FULL FORCE
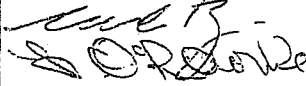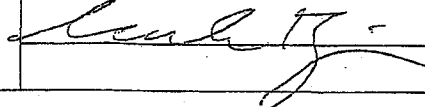### AND LIKE EFFECT AS IF SET FORTH HEREIN

___ #116-200	General Conditions	___ #116-210	General Conditions Materials and/or Services
___ #116-230	General Conditions - Equipment	___ #116-220	General Conditions - Public Works
___ #116-240	General Conditions - Personal/Professional Service		

Form 116-105 Rev 12/17/2009

APPENDIX E

SURGICAL IMPANTS

3-WAY MATCH RECEIVING

		Page 1	of 1
Subject: **Surgical Implants, 3-Way Match Receiving Guidelines**	Effective date: .04/01/2010		Policy No. 32
	Supersedes:	Revised Date:	
Departments Consulted: --Fiscal Services --Purchasing Department --Surgery Department	Reviewed & Approved by:	Approved by:	

PURPOSE

To describe the receiving process for surgical implants.

POLICY

A 3-way-match records the receipt of surgical implants in the Surgery Department. Employees' respective roles are designated and segregated in People Soft by their functional responsibilities.

PROCEDURES

The designated vendor who has been approved in advance by Riverside County provides consignment implants that are secured in the Central Processing Department.

The hospital Circulator lists all pertinent implants on the "OR Implant & Safe Medical Device Record" (Form# OR-143) that is generated following surgery, and maintained in the patient medical record.

Implants from the vendor's consignment cache used during a surgery are the basis of an Order Acknowledgement (sample attached) that the vendor provides.

The Department director compares the Order Acknowledgement with Form# OR-143, signing to authorize payment if the two documents correspond.

The Surgery Department Sr. Accounting Assistant builds a People Soft requisition [Match# 1], and forwards the Order Acknowledgement form to the Receiving Department Accounting Assistant II.

The Purchasing Department sources the requisition to a purchase order [Match# 2] and e-mails the purchase order to the Accounting Assistant II.

The Accounting Assistant II confirms the purchase order versus the vendor's Order Acknowledgement and confirms the match in People Soft. [Match #3].

Discrepancies are brought to the attention of the Fiscal Services Department, which receives a copy of the Order Acknowledgement form, i.e., Invoice, directly from the vendor.

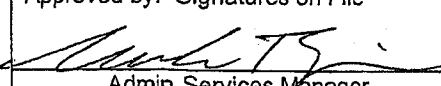The Receiving Office maintains documentation as per County record retention guidelines.

Distribution: Stores/Linen Department

APPENDIX F

CONSIGNMENT POLICY &

PROCEDURE: OPERATING ROOM

Subject: **Consignment Policy and Procedure: Operating Room**		Effective date: 4/10	Page 1	of 2
			Policy No. 3.9	
		Revised Date:	First Issued: 4/10	
			Supersedes:	
Departments Consulted: Nursing Purchasing Fiscal Services	Reviewed & Approved by: Materials Management	Approved by: Signatures on File *[signature]* Admin Services Manager *[signature]* Nurse Manager Perioperative Services		

PURPOSE

To assure procedural and financial consistency when initiating and maintaining consignment supply inventories.

POLICY

1. The operating room will provide for procedural and financial controls when initiating consignment supply inventories.

2. The operating room will follow the procedures set within this procedure to ensure consigned supplies are being managed and accounted for.

PROCEDURES

Pre-Consignment Agreement Procedures

1. A completed consignment inventory form will be forwarded to the Procurement Contract Specialist (PCS) in purchasing for review and approval. The form must include proposed inventory list with par (min/max) levels. The form must include catalog numbers and a product description.

2. Completed consignment forms will be sent to the assigned purchasing agent for timely review and approval. Initial inventory including the par levels will be determined by the assigned operating staff member and attached to the consignment agreement. The operating room manager will cosign this agreement.

3. Once the consignment agreement is approved by purchasing the assigned operating room staff member will schedule the initial deliveries and work with the vendor to maintain the agreed upon par levels.

4. Any additions to the consignment inventory will require an updated consignment inventory form and updated stock list. The updated inventory list must be approved and signed by the

operating room manager. Copies of the updated information will be forwarded to purchasing.

5. When returning a consignment product to the vendor, the product numbers, lot numbers, and product description must be included in the correspondence.

Post Consignment Agreement Operating Room Procedures

1. Consignment items will be assigned a storage area.

2. Every consignment supply delivery will be counted and put away with supervision of assigned RCRMC staff. At the time of delivery, the inventory levels will be validated.

Usage of Consignment Inventories

1. Prior to the scheduled case, the circulating nurse, anesthesia technician or designee will procure the required consignment supply from the secured consignment stock area.

2. The circulating nurse, anesthesia technician or designee will sign-out the consignment inventory being removed on the stock sheet using patients name and medical record number.

Inventory Discrepancies

1. In the case of inventory discrepancies, a consignment inventory discrepancy form will be filled out and submitted to the operating room manager for review and signature.

2. The consignment inventory discrepancy form will be then submitted to the appropriate Associate Hospital Administrator for signature.

3. The Associate Hospital Administrator will then forward the signed form to the purchasing department in order to match with the purchase order.

ATTACHMENTS

1. Consignment Inventory Form
2. Consignment Inventory Discrepancy Form

APPENDIX G

COMPETENCY ASSESSMENTS FOR

VENDORS AND

OTHER HOSPITAL WORKERS

RIVERSIDE COUNTY
HEALTH SERVICES AGENCY

RIVERSIDE COUNTY REGIONAL MEDICAL CENTER

Administrative Policies and Procedures

POLICY NO. 116.1

SUBJECT: COMPETENCY ASSESSMENTS FOR VENDORS AND OTHER HOSPITAL WORKERS

REFERENCES: JCAHO HR Standards, HSA Policies A-28, A-29, and P-9 and RCRMC Policies No. 116, 301, 303, 402, 403, 405, and 406

REPLACES: RCRMC Policy No. 116.1 dated 9/29/97 as revised 4/22/99

APPROVED BY: _____
              Administrator

EFFECTIVE: 9/29/97   Updated: 3/20/2000

POLICY

Prior to beginning work and regularly thereafter, workers at Riverside County Regional Medical Center (RCRMC) shall be certified qualified and competent to perform their job duties. This policy applies specifically to all RCRMC employees as well as to vendors, contracted workers, temporary help, volunteers, and per diem staff who provide patient care related services or products.

PROCEDURES

a. **Employees:** Refer to HSA Policy P-9, Orientation/Reorientation, and RCRMC Policies No. 402, Position Classification Specifications, Ethics, and Employee Competency Evaluations, No. 403, Orientation/Reorientation and Inservice Programs, No. 405, County Employee Training Requirements, and No. 406, Annual Requirements for Employees and Contracted Non-Medical Staff for policies and procedures on certifying employee qualifications and competency. Any questions from department/nurse managers should be directed to the appropriate RCRMC Asst. Administrator/Director of Nursing or the Human Resources Office.

b.   **Contracted Workers**: Refer to HSA Policies A-28, Professional and Personal Services Contracts, A-29, Contract Performance Monitoring, and P-9, Orientation/Reorientation, and RCRMC Policies No. 116, Contracting for Hospital Professional Services of Non-Physicians, for procedures on certifying contracted workers competent. In addition, the following contracted allied healthcare providers (AHPs) will be certified competent by the RCRMC Interdisciplinary Practice Committee, as part of the annual certification of practice privileges required by the RCRMC Medical Staff Bylaws:

> Certified Registered Nursing Assistants (CRNA) (Anesthesia)
> Physician Assistant (Family Practice)
> Nurse Practitioners (Ob/Gyn and Pediatrics)
> Nurse Midwife (Ob/Gyn)
> Psychologist (Psychiatry)

See Table, Attachment I, for additional information.

c.   **Vendors**: Most vendors (including biomedical equipment maintenance vendors) work to provide services at RCRMC under a contract. Refer to RCRMC Policies No. 116 and 303, Medical Equipment Maintenance Agreements for additional information. Competency assessments are required in the terms and conditions of the contracts or as included with the Blanket Purchase Order. Additionally, some non-contracted vendors may demonstrate equipment/products/procedures on patients. These vendors must have been certified competent and show proof of certified competency, proof of liability insurance, and proof of Workers Compensation coverage prior to any contact with a RCRMC patient. The equipment or product also must be evaluated for safety and appropriateness for use prior to any demonstration or trial period of use. (Refer to RCRMC Policy No. 301, Product/Equipment Information and Evaluation for additional direction.)

1. **Start of Work:**

(a) Competency Qualifications Assessment: The competency (qualifications) of all vendors planning to work for RCRMC must be certified prior to award of a contract or start of purchase-ordered services (see JCAHO HR standards and RCRMC Policy No. 116, Contracting for Hospital Professional Personal Services of non-physicians). The Human Resources Office Competency Assessment Program includes forms and tools for accomplishing the certification of workers who are on site regularly. The RCRMC staff responsible for certifying the competency shall be the initiator of the contract or other person who has adequate knowledge of the skills, license(s), or other requirements necessary to perform the needed work. Also, initial competency certification may be accomplished by the contractor or vendor's company supplying the necessary vendor documentation of qualifications/competency to HSA Contracts Administration or to the department/nurse manager in charge of any non-contracted use or demonstration of biomedical equipment/products.

(b)   Contractor/Vendor Companies: The requesting Hospital party should coordinate with the contractor/vendor company to obtain a listing of all the company's possible employees who might serve the Hospital.   This listing should include each contracted person's/vendor's qualifications to perform the needed job and certifications currently dated.   The contractor/vendor company must agree to update HSA Contracts Administration as to training and changes in staff assigned to the Hospital as well as agree not to send their staff to perform work at the Hospital if they do not have the proper insurance, licensing, credentialing, health screening, job description on file, and periodic certified competency. This agreement must be stated as part of the contract for services. Comparable documentation must be supplied to the department/nurse manager in charge of any non-contracted vendor demonstration of biomedical equipment/product use on any RCRMC patient.   Proper insurance documentation would include liability and Workers Compensation, for example. For biomedical Maintenance vendors also refer to RCRMC Policy No. 303, Medical Equipment Maintenance Agreements.

(c)   HSA Internal Support Services (ISS): ISS will prepare the Purchasing Request form with any supporting documents required to forward to County Purchasing for preparation of the Purchase Order for a contracted vendor and will furnish HSA Contracts Administration with copies of all documents. H.S.A Contracts Administration Will prepare any Blanket Purchase Orders upon receiving appropriate documentation from the requesting H.S.A. staff.

(d)   HSA Contracts Administration: It is HSA Contracts Administration's responsibility to maintain current contract files with all required competency documents, including those for biomedical maintenance vendors. ISS and Department Managers will furnish Contracts Administration with copies of qualifications assessment documents they may receive or complete on contractors.

2.   **Periodic Competency Certification:**

(a)   **Competency Assessment**

(1)   VENDORS ON SITE REGULARLY: Using the Competency Assessment forms required by the Human Resources Competency Assessment Program, recertification of competency of all contracted workers, on site regularly, must be completed quarterly if services continue, and annually prior to renewing, amending, or rolling over any Contract/Purchase Order agreement for the services.

(2)   CONTRACTED VENDORS ON SITE INCONSISTENTLY OR ON CALL: For those contracted vendors who are on site on an inconsistent or on-call basis,

HSA Contracts Administration shall be responsible for mailing a certified competency/ orientation/reorientation packet to the companies for their vendors to complete and return as certified competency assessment as well as appropriate hospital orientation.

(3)   NON-CONTRACTED VENDORS: The department/nurse manager in charge of any biomedical equipment/product demonstration by a non-contracted vendor shall be responsible for obtaining the certified competency of the vendor prior to the demonstration. Documentation shall be maintained in the department's files. Copies of necessary licenses, certificates of training, and insurance and a statement by the vendor's supervisor that the worker has been evaluated as competent in the use of the equipment/product within the past year will be included in the files as required documentation for certified competency.

(b)   **Frequency of Competency Assessments (Returned Certified Competency)**: On one-time Purchase Orders or contracts with a short time period for completion of service, competency assessments may need to be performed weekly or monthly. After the qualifications assessment, at a minimum competency assessments (returned certified competency) will be prepared **quarterly** (refer to RCRMC Policy No. 116). The RCRMC staff responsible for collecting the information needed to certify the vendor competent will be the person who has the specialized knowledge in the area of work the vendor performs.

(c)   **One-Time Purchase Orders**: The ongoing monitoring and certified competency forms will be completed according to the procedures of HSA Policy A-29 and RCRMC Policy No. 116 even if the vendor works under a one-time Purchase Order agreement rather than a formalized contract.

d.   **Maintenance Service Vendors**: At the time of requesting maintenance vendor services, the RCRMC requesting department shall coordinate with Plant Operations Department for identification of specified areas requiring certification of competency. The appropriately knowledgeable Plant Operations Biomedical staff will initial the ISS-013 Purchasing Request prior to forwarding the information to either HSA Contracts Administration or to HSA ISS Purchasing Office. Refer to RCRMC Policy No. 303, Medical Equipment, Maintenance Agreements, for additional information regarding monitoring and certifying competency of vendors providing maintenance services.

e.   **Contracted Workers File Maintenance**: All finalized documents for contracted patient care/biomedical maintenance workers must be kept on file in HSA Contracts Administration for reference and tracking.

ATTACHMENT: I   AHP Table

AHP CATEGORY: (Include here CRNA, PA, Nurse Practitioner, Nurse Midwife or Psychologist)

DEFINITION:
(Include definition for the category/type of AHP – for example, here is a sample definition for a Nurse Midwife: A Nurse Midwife is a registered nurse who is educated in the disciplines of nursing and midwifery, certified by the American College of Nurse Midwifes and is capable of providing care for normal women and newborn infants before, during and after pregnancy and childbirth. Nurse Midwifes also provide limited gynecological services.)

REQUIRED QUALIFICATIONS:
(Include in this section the "baseline" qualifications required to practice in the specific AHP category. For example, to practice as a CRNA, the required qualifications might include:

In order to be eligible to provide services as a CRNA, the applicant must hold a professional nurse license in good standing in the State of _____, have graduated from a nurse anesthetist program accredited by _____, be currently certified by _____ and be registered in the State of _____ as a CRNA.

CLINICAL DUTIES (SCOPE OF SERVICES)	LOCATIONS WHERE SERVICES CAN BE PROVIDED	QUALIFICATION(S)	SUPERVISION REQUIREMENTS	PERFORMANCE EVALUATION REQUIREMENTS		
List specifically what services can be provided, e.g., perform history and physical examination.	List where services can be provided, e.g., maternal center, inpatient units, surgicenter, etc.	List specific qualifications that applicant must be able to demonstrate or document. This may include additional education, training, etc., clinical activity requirements, etc.	List specific supervision requirement(s). For example, if the clinical duty is to perform the history and physical examination, the supervision requirement might be that it has to be co-signed by the supervising physician within ____ hours or prior to any surgical/invasive procedure.	List specific performance evaluation methodologies. For example, required observations, completion of skill checklist, review of a certain number of charts, etc.		

Clinical Duties (Scope of Services)	Locations Where Services Can Be Provided	Qualification(s)	Supervision Requirements	Performance Evaluation Requirements

SPECIFIC ORIENTATION REQURIEMENTS:

(List specific orientation requirements for the AHP category. For example (for a nurse midwife): must attend general orientation for non-employees, plus be oriented with the head nurse of the labor/delivery area.)

Appendix B

**Online Administrative Services Information System
Management Reply**

To: Auditor-Controller, Audits and Specialized Accounting Division

From: Michael Dearman, OASIS Director

Re: Reply to RMC Operating Room Draft Audit Report dated February 25, 2010

Recommendation 1.2   Develop plans for fully automating the OR inventory management process.

Management Reply   The current version of PeopleSoft has the capability to meet the needs of the Hospital. The County has implemented bar-coding functionality; the Hospital is currently not using this functionality. EDI and real-time pricing is also available through a service contracted by OASIS that is compatible and can be implemented with our current version of PeopleSoft. The Hospital has not initiated projects with OASIS to implement and rollout these requirements available with our current version of PeopleSoft.

Michael A. Dearman
OASIS Director