



STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

January 17, 2007

Alan D. Aviles, Esq.  
President  
New York City Health and Hospitals Corporation  
125 Worth Street  
New York, NY 10013

Re: Report 2006-F-47

Dear Mr. Aviles:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law, we have followed up on the actions taken by officials of the New York City Health and Hospitals Corporation (HHC) to implement the recommendations contained in our audit report, *Inventory Controls Over Controlled Substances* (Report 2004-N-4).

**Background, Scope and Objective**

HHC operates 11 acute care hospitals: Coney Island Hospital, Elmhurst Hospital Center, Harlem Hospital Center, Bellevue Hospital Center, Jacobi Medical Center, Queens Hospital Center, Kings County Hospital Center, Lincoln Hospital, Metropolitan Hospital, North Central Bronx Hospital, and Woodhull Hospital. In addition, HHC operates 4 long-term nursing facilities, 6 diagnostic and treatment centers and more than 100 community-based health clinics.

Controlled substances are regulated by the Drug Enforcement Administration, a federal law-enforcement agency that has strict requirements for storage, record keeping, and dispensing of controlled substances such as, narcotics (pain relievers), stimulants, depressants, hallucinogens and anabolic steroids. HHC allows each of the hospitals to develop and follow its own policies and procedures for controlled substances. Collectively, these policies and procedures are in place for safeguarding controlled substances, maintaining inventory records and reports, and dispensing and disposing of expired substances. In addition, the New York City Comptroller's Directive 24 requires proper segregation of duties by assigning to different employees, responsibility for authorizing transactions, recording transactions, and maintaining custody of assets.

Our initial audit report, which was issued on October 18, 2005, determined whether the 11 HHC acute care hospitals established adequate controls to account for and to safeguard controlled substances. We found control weaknesses such as inadequate separation of duties, inaccurate

inventory records, lack of accountability over refunds and credits received for expired controlled drugs, and delays in destroying condemned controlled drugs. We recommended that certain actions be taken by HHC to provide stronger internal controls over the receipt, issuance and storage of controlled substances. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of December 1, 2006, of the six recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We determined that the New York City Health and Hospitals Corporation has implemented the six recommendations contained in our initial audit report.

### **Follow-up Observations**

#### **Recommendation 1**

*Ensure hospitals provide adequate separation of duties in the handling of controlled substances.*

Status - Implemented

Agency Action - We visited the six facilities (Coney Island Hospital, Elmhurst Hospital, Jacobi Hospital, Lincoln Hospital, North Central Bronx Hospital and Queens Hospital Center) that were cited in our initial audit report for inadequate segregation of duties in the handling of controlled substances. We interviewed pharmacy personnel at the six hospitals and verified that duties are segregated among several individuals. We observed that the functions of receiving controlled substances in the pharmacy vault, recording the receipt on the inventory system and the disbursement of controlled substances are now handled by different individuals.

#### **Recommendation 2**

*Ensure all inventory records show complete information regarding the transfer of controlled substances from one location to another.*

Status - Implemented

Agency Action - Coney Island Hospital was the only facility cited in our initial audit report with respect to this recommendation. We test verified the transfer of controlled substances from the pharmacy vault for the period October 15, 2006 through October 22, 2006. We determined that in all cases, the locations where the controlled substances were transferred to, were properly recorded on the hospital's inventory system.

**Recommendation 3**

*Prohibit erasures and correction fluid changes on controlled substance records and ensure inventory card corrections show supervisory approval.*

Status - Implemented

Agency Action - Queens Hospital Center was the only facility cited in our initial report with respect to this recommendation. We reviewed the inventory cards for all the transactions during calendar year 2006 and verified there were no erasures or correction fluid changes made to them. Furthermore, we noted that there were supervisors' initials when there were handwritten corrections.

**Recommendation 4**

*Require hospital pharmacies to dispose of condemned substances as soon as possible.*

Status - Implemented

Agency Action - We observed that all condemned controlled substances at Coney Island Hospital, the only hospital cited in our initial audit report with respect to this recommendation, are now stored in the pharmacy safe in a separate compartment, awaiting pick up for disposal. We noted that the expiration dates for the condemned substances were recent and within the calendar year 2006.

**Recommendation 5**

*Ensure that the monies received in the exchange for expired substances returned to authorized vendors are accounted for properly.*

Status - Implemented

Agency Action - Each of the six hospitals we visited (Coney Island Hospital, Elmhurst Hospital, Jacobi Hospital, Lincoln Hospital, North Central Bronx Hospital and Queens Hospital Center) now prepares detailed lists of controlled substances to be returned to authorized vendors. These lists are then reconciled with any refunds/credits received from the vendors.

**Recommendation 6**

*Return all expired substances in exchange for possible refund or credit.*

Status - Implemented

Agency Action - At Jacobi Medical Center and North Central Bronx Hospital, the two hospitals cited in our initial report, we verified that they are now returning expired substances for possible refund or credit, instead of destroying them.

Major contributors to this report were Stuart Dolgon, John Lang and Unal Sumerkan.

We wish to thank the management and staff of the Agency for the courtesies and cooperation extended to our auditors during this follow-up.

Very truly yours,

Albert Kee  
Audit Manager

cc: Alex Scoufaras  
Lisa Ng, Division of the Budget