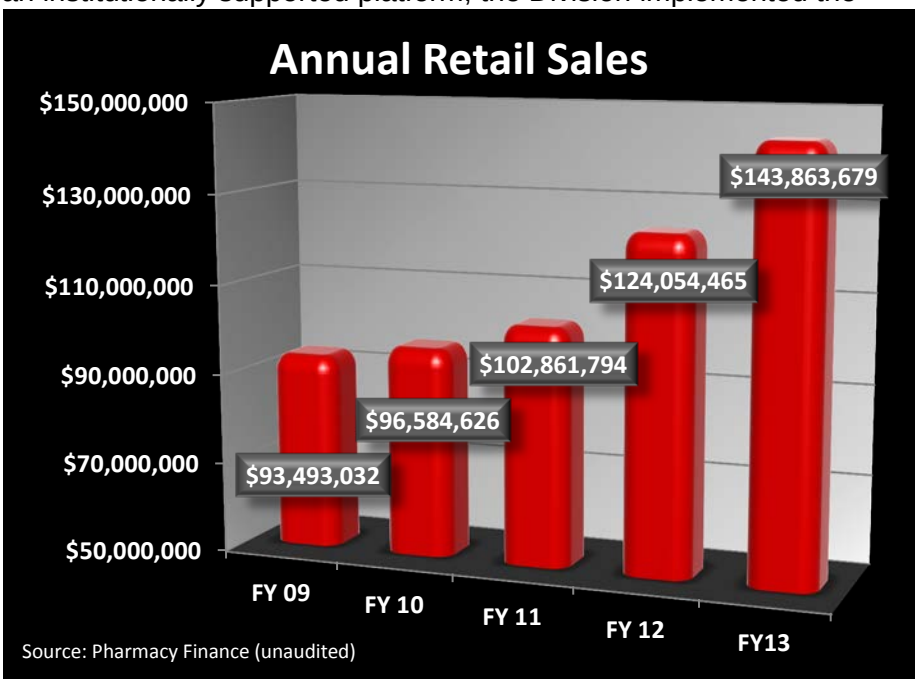
13-207 Pharmacy Point-of-Sale Retail System Implementation Review

Strategic Area: Patient Care
Risk Type: Financial, Operational
Audit Manager: Antoinetta Lovelady/ Shawn Magee

Overview:

The Division of Pharmacy's retail sales increased by approximately $50 million over a five-year period, and management expects this trend to continue. Therefore, to accommodate the growth and move to an institutionally supported platform, the Division implemented the Oracle Retail Point-of-Sale Software System (ORPOS) in 2013.



According to management, ORPOS will ensure compliance with the Payment Card Industry (PCI) guidelines requiring all merchants to protect cardholders in the handling of credit card information. Other benefits of ORPOS include, but are not limited to: advanced reporting capabilities; acceptance of all tender types; domain authentication; and single sign-on authorization for credit cards and checks.

To gain some assurance that operating controls are working as designed, the Division requested that Internal Audit conduct a post-implementation review of ORPOS.

Audit Results Summary:

Based on our post-implementation review of the Oracle Retail Point-of-Sale Software System in Outpatient Pharmacy Operations, we confirmed that management developed and implemented training, policies and procedures, and key IT general control processes, such as security, change and interface management, and backup and recovery procedures. They also obtained user acceptance testing prior to go-live and are currently using system-

generated reports to monitor daily operations. Refer to **Appendix A** for detailed testing performed in these areas. During this review, we identified opportunities for improvement in the following areas:

- System security
- Segregation of duties
- System overrides
- Recording of transactions
- Daily store closeout and bank deposits
- Reconciliation of manual charges

Management Summary Response:
Management acknowledged the observations and recommendations detailed in this report, and had begun to develop and implement controls procedures to enhance the Pharmacy POS System prior to the release of this report.

Number of recommendations to be monitored by UT System: None

Our review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing.*

We sincerely appreciate the courtesy and cooperation extended by the Division of Pharmacy, and Administrative & Financial Services.

Sherri Magnus

Sherri Magnus, CPA, CIA, CFE, CRMA
Vice President and Chief Audit Officer
January 3, 2014

Observation 1:

System Security

Institutional policy requires a minimal password length of eight characters and specifies a maximum of five failed sign-on attempts for account lockout. Policy also states that no generic account identification will be used for any institutional account. Based on our assessment of application security for the Oracle Retail Point- of-Sale Software System (ORPOS), we noted the following:

- Password parameters do not require a minimum of eight characters.
- A generic account within the system is currently used by the system administrators.
- Upon five failed sign-on attempts, the system does not automatically lock the account.
- Management is not monitoring the application audit logs, even though the system is currently generating these reports.

Failure to comply with established security guidelines increases the risk of unauthorized access to confidential information.

Recommendation:

Management should develop and implement a plan to comply with the requirements outlined in the Information Resources Security Operations Manual. Specifically:

- Password parameters should be enhanced to align with policy.
- Unique accounts and IDs should be assigned to each user to ensure accountability.
- The system should be configured to lock accounts after five unsuccessful sign-on attempts.
- Application audit logs should be periodically reviewed to ensure all activity is appropriate. Management may also consider utilizing exception-based auditing tools to identify outliers.

Management's Action Plan

Responsible EVP: Dr. Thomas Burke
Due Date: 02/28/2014
Owner: Lori Bertrand
Final Approver: Wenonah Ecung

The ORPOS application has been configured to match the Institution's Information Resources Security Operations Manual. Password parameters now align with this policy. The system now is configured to lock accounts after five unsuccessful sign-on attempts. Application logs are now periodically reviewed to look for unusual or inappropriate activity. Each user has been assigned a unique account and ID to ensure user accountability.

Observation 2:

Segregation of Duties

The appropriate level of system access should be based on one's job role and responsibilities to ensure proper segregation of duties. Proper segregation of duties provides assurance that transactions are executed and recorded as authorized by management. During our review of

user access, we noted that the Resource Specialist, Charge Pharmacists, and Registered Pharmacists all have access to initiate, approve and prepare deposits, and reconcile daily sale transactions. In addition, we identified one instance when an approved system change was inappropriately moved into production by a program developer. According to management, this issue was immediately addressed as a result of our observation.

Without proper segregation of duties, errors or irregularities may occur and not be detected in a timely manner.

Recommendation:
Segregation of duties or other mitigating controls should be implemented to ensure that no one individual has the ability to initiate and execute a transaction from beginning to end. Also, management should periodically review user access for appropriateness.

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Management has reviewed roles and responsibilities and change requests have been submitted to AFS that will ensure proper segregation of duties. Pharmacy Operations will also perform a quarterly review of user access for appropriateness.

Observation 3:
System Overrides
The current practice is for a cashier to override the ORPOS system in order to capture "patient responsibility" transactions. These system overrides are not always independently reviewed or approved prior to processing the transactions. According to management, a "hard stop", requiring supervisory approval, should have been designed and implemented within the system. Without adequate control processes in place, unauthorized transactions could be processed and not detected in a timely manner.

Recommendation
Management should develop and implement control processes to ensure that all system overrides are reviewed and approved by someone other than the person processing the transaction.

Management's Action Plan
Responsible EVP: Dr. Thomas Burke
Due Date: 05/31/2014
Owner: Lori Bertrand
Final Approver: Wenonah Ecung

Management has implemented the following controls:

- *All "Patient Responsibility" transactions are reviewed and approved by a Resource Specialist prior to the transaction in POS.*

- *All "Patient Responsibility" transactions are validated the following day by a Resource Specialist as part of the deposit preparation process.*

Management will add the following controls:

- *If the Resource Specialist validating the transaction is the person that initially approved the transaction then the Lead will validate the transaction.*
- *A checklist will be created to ensure that the Resource Specialists are validating these transactions in a consistent manner.*
- *Management is exploring with AFS support an enhancement to the OPROS application to implement a "hard stop" requiring the cashier to obtain a supervisory override before conducting a "patient responsibility" transaction.*

Observation 4:

POS Transactions

Sales transactions are not consistently captured in ORPOS. For example, some credit card sales must be manually entered into a hand-held credit card machine for processing. The machine does not interface with ORPOS. Therefore, the charges must be manually keyed into ORPOS. Also, shipping charges for mail-out orders are not always entered into the system. Additionally, in fiscal year 2013, management identified more than 1,100 various transactions that were incorrectly or not captured in ORPOS. Failure to capture all sales transactions may present a challenge in reconciling ORPOS and Centricity and could result in lost revenue.

Recommendation:

Management should implement control processes to ensure that all transactions are captured in ORPOS. In addition, training should occur to ensure staff understands the importance of capturing sales and other transactions in ORPOS.

Management's Action Plan

Responsible EVP: Dr. Thomas Burke
Due Date: 02/28/2014
Owner: Lori Bertrand
Final Approver: Wenonah Ecung

Management determined that all transactions were related to the VeriFone device used only for mail outs, during POS downtime, or when patients want to pay for a prescription that a caregiver will pick up.

Management has implemented the following controls:

- *A VeriFone settlement report is reconciled daily to the POS report by the Resource Specialist preparing the deposit.*
- *On June 5, 2013 a Statement of Operating Procedures (SOP) was created to address entering VeriFone transactions into the POS system. Also, a log was created to track and reconcile VeriFone transactions if necessary.*

Management will add the following control:

- *Additional training on this SOP and its importance will be reinforced at the next staff meeting on December 4, 2013.*

- *The log will be used for accountability purposes and failure to enter VeriFone transactions into the POS system will be included in the cashier disciplinary action plan.*

Observation 5:

Recording of Charity Care

Sales are classified as Charity Care in OPROS for qualifying patients, based on their financial class at the time of the transaction. Charity Care sales are not being posted to the Institution's general ledger. As of August 31, 2013, there was approximately $311,000 in Charity Care sales that had not been properly recorded in the general ledger for the Division of Pharmacy. Failure to properly record Charity Care sales will result in an understatement of Charity Care in the financial statements.

Recommendation:

The Division of Pharmacy should develop and implement control processes to ensure that all Charity Care sales are properly recorded in the Institution's accounting records.

Management's Action Plan

Responsible EVP: Dr. Thomas Burke
Due Date: 08/31/2014
Owner: Lori Bertrand
Final Approver: Wenonah Ecung

Management will work with AFS to explore ways for amount due to be calculated programmatically and for a journal entry to be posted to the institution's general ledger.

Observation 6:

Close-out of Daily Transactions

The ORPOS does not have the capability to force an automatic closeout of daily sales after a 24-hour period. If a cashier fails to close a cash drawer, then the previous day's sales will be comingled with the current day's sales. This causes difficulty in preparing the deposits and performing the daily reconciliation. Management has acknowledged this problem and is actively exploring options for enabling the system to provide a formal notification to close out the register after 24 hours.

Recommendation

Management should continue to explore options to have a formal notification to close the register after 24 hours. Meanwhile, escalation procedures should be developed and implemented to hold individuals accountable for not following the Division's directives for closing their cash drawers at the end of their designated shifts.

Management's Action Plan

Responsible EVP: Dr. Thomas Burke
Due Date: 08/31/2014
Owner: Lori Bertrand
Final Approver: Wenonah Ecung

Management has implemented the following controls:

- *The cashier disciplinary action plan was modified in September of 2013 to include failure to close a till, a register or the store. The staff was informed of this change on September 23, 2013.*

Management is exploring the following control:

- *Management is exploring with AFS support an enhancement to the ORPOS application to page a designated individual if a register or a store has not been properly closed in a specified time period.*

Observation 7:

Accuracy of Bank Deposits

At the close of the daily transactions, a deposit slip is prepared by the Pharmacy cashier, documenting all of sales for the cash drawer. The deposit slip is placed in the bank bag and deposited to the main cashier the following morning. Currently, there is no documented evidence that the bank deposit is independently reviewed prior to submission to the main cashier. There have been several instances where the Pharmacy cashier has been short or over, without accountability for these errors. The errors were identified only after the deposit was made and the bank confirmed the deposit amount.

Recommendation:

Management should implement process to hold individuals accountable for the accuracy of the daily bank deposits. An independent verification of the deposit should be conducted by someone other than the cashier preparing the deposit. Both parties should initial the bank deposit attesting to its accuracy.

Management's Action Plan

Responsible EVP: Dr. Thomas Burke
Due Date: 02/28/2014
Owner: Lori Bertrand
Final Approver: Wenonah Ecung

Management has implemented the following controls:

- *Cashier counts money, enters quantities and denominations into adding machine and prints the tape.*
- *Pharmacist double counts money, validates the amounts on the tape and signs the tape indicating they are in agreement.*
- *Cashier completes deposit slip, places money and deposit slip into deposit bag and seals the bag.*

In addition, the pharmacist will initial the deposit slip as evidence that the deposit was independently reviewed.

Observation 8:

Reconciliation of Direct-Billed Patient Charges

Some charges are billed directly to patients via the "Patient Responsibility" key within ORPOS. A report detailing these charges is generated by the system and submitted to Revenue Charge Capture for posting to the patient accounts. Based on our review, it appears that these charges are posted to a clearing account and not to the Pharmacy revenue account. Pharmacy Finance acknowledged that this revenue is not considered as part of their revenue reconciliation, and the Division is unable to determine how the revenue is allocated.

Recommendation

The Division of Pharmacy should continue its efforts to identify and properly account for direct-billed patient revenue.

Management's Action Plan
Responsible EVP: Dr. Thomas Burke
Due Date: 05/31/2014
Owner: Lori Bertrand
Final Approver: Wenonah Ecung

The Division of Pharmacy will work with Patient Business Services to continue efforts to identify and properly account for direct billed patient revenue.

Appendix A

Objective, Scope and Methodology:

The objective of this review was to assess the operational and IT general controls over the Oracle Retail Point-of-Sale Software System. The scope included activities and transactions posted during the period November 2012 through September 2013. Internal Audit coordinated with Pharmacy Operations and Administrative & Financial Services (AFS) to conduct the assessment based on requirements in the Institution's Information Resources Security Operations Manual.

Audit procedures included, but were not limited to:

- Interviews with key Pharmacy and AFS personnel
- Review of training materials, rosters, policies and procedures, gap analyses, and custom reports
- Verification of daily bank deposits and reconciliations
- Observation of cashiers' processes for credit card transactions
- Assessment of IT controls for the following areas:
  - Security
  - Segregation of Duties
  - Change Management
  - Backup and Recovery
  - Application Logging and Monitoring
  - Interfaces
  - Key Reports
  - Go-Live Approval
  - User Acceptance Testing
  - User Training
  - Hyper Care