

# Application Of Internal Control System On Risk Of Fraud In Procurement Of Drugs In Pharmaceutical Installation (Case Study in District X General Hospital)

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**Abstract.** This study aims to analyze the application of internal control systems in preventing fraud procurement of drugs in pharmaceutical installations. This research is a case study with a qualitative approach. Data and information obtained by in depth interviews and discussions. Data collection through document review and field observations, and data analysis using descriptive analysis. The results showed that the internal control system had not been running effectively, because there was no internal audit in RSUD X. The role and function in the pharmaceutical installation department was carried out by the head of the pharmaceutical installation department. There is no division of functions and segregation of duties for each function in the pharmacy hospital of RSUD X. The conclusions obtained from the results of the study indicate that the internal control process of medicines in the pharmacy hospital of RSUD X is still not optimal, so there is a possibility that fraud is still vulnerable.

**Keywords.** Fraud, Internal Control System, Procurement, Pharmaceutical Installations

## 1. Introduction

The hospital is one of the important health service networks, tasks, burdens, problems and expectations that depend on it. The main activity of a hospital is to provide maximum health services to the community.

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The creation of good governance in hospitals and having reliable organizational instruments to make hospitals survive as public services are demands that must be met. This is a very central and important issue because the hospital is the center of responsibility that is responsible for public health services, so that the health services received by the community can be affordable and quality.

One of the services that should get more attention from a hospital is the supply of medicine for all patients. Drug supply in a hospital has a very important meaning because drug supply is one of the factors that influences the quality of service of a hospital. Therefore, a good medication inventory accounting treatment must be applied by the hospital to help smooth operations. Without a supply of drugs, the hospital will be faced with the risk of not being able to meet the needs of hospital service users (patients). Inventories include all goods held for the purpose of resale or consumption in the company's normal operations [1].

Good internal control enables management to be ready to face rapid economic changes, competition, shifting customer demand and fraud and restructuring for future progress [2]. If the internal control of a company is weak, the possibility of errors and fraud is very large. Conversely, if internal control is strong, the possibility of errors and fraud can be minimized. Even if mistakes and fraud still occur, can be known quickly and immediate corrective actions can be taken as early as possible.

[3] A good control structure in strengthening internal control in the company, the COSO (The Committee of Sponsoring Organizations of The Treadway Commission) in September 1992 introduced a broader control framework than the traditional accounting control model and includes risk management, namely internal control consisting of 5 (five) interrelated components, namely:

1. Control environment
2. Risk assessment
3. Standard control (control activities)
4. Information and communication (information and communication)
5. Monitoring (monitoring)

The internal control applied by the X regional general hospital is currently in the cycle of procurement and distribution of drug supplies based on pharmaceutical installation inventory management, namely: Planning drug supplies, purchasing drug supplies, storage, distribution, deletion. Based on the existing background, the researcher tries to make a report on the flow of procurement of medicines in the regional hospital pharmacy (RSUD) X as the object of research to analyze the internal control system used by RSUD X.

This research is limited to how the existing internal control system of X hospital is run. The elements that will be examined in this study are the Internal Control System (SPI) as a controller and supervisor of the risk of fraud in ordering drugs in hospital installation X and its distribution to hospital patients X. In addition, will explain how the role, environment and internal control system itself and the parties involved. This research also explains about fraud and its prevention by using the existing hospital SPI based on theories.

## 2. Research methods

### 2.1. Data Types and Data Sources

The type of data that the authors use in this study consists of: primary data which is data obtained directly from the company or data that occurs in the field obtained from interview techniques, and then will be processed by the author, such as: interviews with staff members related to drug supplies in pharmaceutical installation and distribution of drugs to patients at Hospital X, other data used are secondary data obtained from companies in the form of: organizational structure, drug accounting cycles, purchase reports, inventory and reports on drug inventory use.

### 2.2. Data Collection Techniques

Data collection techniques can be done by: interview techniques, the authors carry out questions and answers and discussions directly with the hospital staff, especially with sections related to the object of research, as well as review, namely the method of collecting data by observing directly or indirectly on activities relating to internal control of the X's Hospital drug supply.

### 2.3. Data analysis method

The method used to analyze this research is a method with a comparative approach that is descriptive analysis that is comparing the similarities and differences of certain phenomena. The steps that the authors took to analyze this study are as follows:

1. Gaining an adequate understanding of the application of internal control of procurement of medicines in the Pharmacy Installation of Hospital X. To get an adequate understanding of the application of internal control of procurement of drugs for patients in the Pharmacy Installation, the authors take several steps as follows:
  - Conduct interviews with parties related to the pharmaceutical installation section at hospital X.
  - Conduct a direct review of the drug supply cycle and its distribution to hospital patients X.
2. Knowing how the internal control of drug supplies in regional hospitals when compared with the theory contained in the literature books. To find out how the internal control of the supply of medicines compared with the theories contained in reference books, researchers conducted questions

and answers to the relevant parts, which then compared with the theories contained in literature books. Regarding matters that will be compared are 5 components of adequate and effective internal control defined in the Amrizal COSO report [3][4] The five components:

1. Control environment
  2. Risk assessment
  3. Control activities
  4. Information and communication
  5. Monitoring
- 1.4. Respondents

According to [5] Research subjects are objects, things or people to which the research variable is attached. The subjects in this study were employees in the hospital X pharmacy installation. The object of the study (research variable) was something that was the target or point of view of a study. The object of this research is the Internal Control System used by the X hospital's pharmaceutical installation in the procurement of medicines. Based on the subject and object used in this study, the respondents in this study were the leaders and staff of the X hospital pharmacy installation.

### **3. Results of analysis and discussion**

#### **1.5. Data analysis**

The steps that the authors took to analyze this study are as follows:

1. Gain adequate understanding of the application of internal control in the procurement of drugs for patients in pharmaceutical installations in hospitals X.
2. Knowing how the internal control of hospital drug supplies when compared with the theory contained in reference books.

#### **1.6. Control Environment.**

Commitment to the competence of employees who are placed in the Pharmacy Installation Section is those who have a health education background, especially in the Pharmaceutical Field. This is intended to realize a good Pharmacy Installation because it is managed by people who already have the skills needed by the Pharmacy Installation Section. The Board of Commissioners and the Audit Committee in the Pharmacy Installation section do not have an audit committee or a board of commissioners.

In general, auditing is carried out by hospitals. For the Pharmacy Installation itself, supervision and control of all its activities are still carried out by the Head of the Installation Department. The Philosophy and Operating Style of the Pharmacy Installation section is to meet the needs of medicines for each patient on a daily basis without any delay or significant problems.

With this philosophy, Hospital management emphasizes the style of surgery which explains how important reports are in procuring and distributing drugs to patients. In this case these reports are produced through established procedures and have been supported by competent evidence so as to create a good control environment. The organizational structure of RumahSakit X, especially the Pharmaceutical Installation Section has been arranged and designed properly. However, there is no functional division because RSUD still lacks manpower so that some functions that should have not been realized such as the warehouse function, purchasing function and expenditure function are still carried out by one employee.

For the accounting and treasurer functions generally under the authority of RSUD X, so there are some elements of organizational structure that are not fulfilled.

#### **1.7. Risk Assessment**

In the assessment of risk in pharmaceutical installations is to prevent the occurrence of a vacancy in the storage department. If an order is made for a drug with a supplier whose travel distance exceeds one day, then the policy undertaken by the Head of the Pharmaceutical Installation Section is to find a backup supplier so that there is no shortage of needs within that timeframe. In addition, the release and use of drugs using the LIFO-FIFO method to prevent the use of drugs that have expired and adjusted to the needs at the time.

#### **1.8. Information and Communication.**

In carrying out procurement and distribution procedures and checking drug supplies, the Pharmacy Installation uses information in the form of records and documents such as the Material Requirement Plan (RKM), Order Letter, Stock Card, Invoice, Drug Instruction Card (KIO), patient list / control book

and information input. every transaction into the computer. Every note and document has fulfilled the requirements.

#### 1.9. Control Activities

Control activities can be categorized into various activities including: Transaction Authorization (Every activity in a Pharmacy Installation is authorized by parties who have responsibility and authority over the transaction), Separation of Duties (Pharmacy Installation has carried out the division of tasks for each employee in Pharmacy Installation of RSUD X. But there is no division of functions, such as the absence of separation of storage and accounting functions, separation of authorization and storage functions, separation of authorization and accounting functions, separation of functions in electronic data management.

#### 1.10. Monitoring

Because the Pharmacy Installation does not have a specific Internal Control Agency, monitoring of each drug procurement and distribution activity is carried out by the Head of the Pharmacy Installation Section.

### 4. Conclusions and suggestions

After the interview process, a direct review, analysis and evaluation of the Internal Control System of the Pharmacy Installation it can be concluded that the application of the SPI has not fulfilled several components of internal control so that it can be said in theory the SPI Hospital Pharmacy Section X hospital cannot be said to be able to prevent opportunities and opportunities both intentionally or unintentionally the occurrence of a fraud (fraud) in the form of errors in recording and misappropriation of inventory (corruption). This is in line with Hermiyetti's research [6] that the Pharmacy Installation of Ciawi Hospital shows that the system of controlling drugs and medical devices is not good so that it causes over stock and out of stock. Hospital X does not have an internal audit function, which is a special section that independently carries out examinations and evaluations of the implementation of procedures and records available in hospital management.

The role and function in the Pharmacy Installation Section is carried out by the Head of the Pharmacy Installation section. There is no division of functions and segregation of duties for each function in the Hospital Pharmacy Installation. Proof of recording used is still done manually and not made more than 1 (one) duplicate. To control access in general, every Pharmacy Installation employee can legally access assets / supplies in the Pharmacy Installation.

It is expected that further research will not only be limited to the procurement of medicines but also to the entire procurement of medical devices implemented by hospitals and it is also best to use a questionnaire so that the data obtained is more valid. Looking at the current condition of the Pharmacy Installation at RSUD X, it is expected that hospitals will develop the Pharmacy Installation Section so that they can form a number of functions such as the function of warehouses as storage and monitoring of entry and exit of drug supplies. Forming an Internal Audit specifically for the Pharmacy Installation of Hospital X. Making a separate report, especially for the procurement and distribution of drugs to patients. Providing authority for certain personnel to access the assets of the Hospital Pharmacy X installation. Form a separate organizational structure for the Pharmacy Installation Section.

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