

June 2009

INDIAN HEALTH SERVICE

Millions of Dollars in
Property and
Equipment Continue
to Be Lost or Stolen





Highlights of [GAO-09-450](#), a report to congressional requesters

Why GAO Did This Study

In 2008, GAO issued a report and testimony revealing gross mismanagement of property at the Indian Health Service (IHS). GAO found that 5,000 items with an acquisition value of \$15.8 million were reported lost or stolen for fiscal years 2004 through 2007. GAO attributed the property mismanagement and waste to weak internal controls. GAO made 10 recommendations to IHS. IHS ultimately agreed to implement all 10 recommendations. Given the extent and seriousness of the property management problems at IHS, GAO was asked to determine (1) whether property loss, property theft, and wasteful spending continue at IHS; and (2) to what extent IHS made progress in implementing GAO's prior recommendations.

GAO analyzed IHS property records from fiscal year 2008 through January 2009, conducted a full physical inventory at IHS headquarters, and performed a probability sample of information technology equipment inventory at six IHS field locations. GAO also examined IHS policies, analyzed documents, and conducted interviews with IHS officials.

What GAO Recommends

GAO recommends that IHS fully implement last year's recommendations and take six new actions to ensure timely and accurate inventory records. HHS agreed with all six recommendations, however, GAO is concerned with the lack of specificity in the HHS response.

[View GAO-09-450 or key components.](#)
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INDIAN HEALTH SERVICE

Millions of Dollars in Property and Equipment Continue to Be Lost or Stolen

What GAO Found

IHS continues to lose property at an alarming rate, reporting lost or stolen property with an acquisition value of about \$3.5 million dollars in little over a year, including new medical equipment. IHS management's failure to implement most of our June 2008 recommendations and hold staff accountable for losses contributes significantly to ongoing property problems. These property losses at IHS are in addition to what GAO identified in its June 2008 report. GAO completed a full audit of IHS headquarters and found that 126 items worth \$216,000 (or 8 percent of the items tested) had been lost, stolen, or were otherwise unaccounted for. GAO also estimates that about 800 equipment items at six field locations with an acquisition value of about \$1.7 million were lost, stolen, or unaccounted for. Furthermore, although IHS performed an annual inventory as GAO recommended, as of March 2009, it had not finished reconciling the inventory and cannot locate many items, including medical equipment. These items include a 2002 ultrasound unit valued at \$170,000; a 2003 X-ray mammography machine valued at \$100,795; dental chairs, cardiac and vital sign monitors; and a pharmacy tablet counter machine.

Aside from issuing a memorandum from the IHS Director that restated and refined existing policies, IHS has taken little action to ensure that employees are aware of and complying with property policies. One way to enforce policies involves holding individuals accountable; however, GAO found that the Senior Service Executive in charge of the IHS property group and other areas was given a \$13,000 bonus after GAO's report exposed mismanagement of property under the executive's purview. Furthermore, IHS could only provide one example of an individual held financially liable for lost or stolen property over a 1-year period; but at the time of our audit, the individual still had not reimbursed the government for the loss. GAO also identified the following examples where IHS investigated the loss of property but did not hold anyone accountable.

Examples of Poor Accountability for Property

Description	Explanation
Laptop	<ul style="list-style-type: none"> A laptop was reported stolen during IHS's 2008 inventory. Employee had several laptops assigned to him and did not know that this one was stolen. Nobody held accountable.
Laptop	<ul style="list-style-type: none"> IHS identified an employee that lost a laptop. Employee stated she could not remember what happened to the laptop. Employee was not held accountable.
Laptop	<ul style="list-style-type: none"> A laptop was lent to an employee for home use. The employee left the agency without returning the laptop. Employee was not held accountable.

Source: GAO.

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Abbreviations

CIO	Chief Information Officer
GSA	General Services Administration
HHS	Department of Health and Human Services
IHS	Indian Health Service
IT	information technology
OIG	Office of Inspector General
PCO	Property Custodial Officer
PDA	Personal Digital Assistant
PMIS	Property Management Information System
PMO	Property Management Officer
PO	Purchase Order
PSC	Program Support Center
ROS	Report of Survey
SGM	Special General Memorandum
UFMS	Unified Financial Management System
USAO	United States Attorney's Office
USB	universal serial bus

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United States Government Accountability Office
Washington, DC 20548

June 2, 2009

The Honorable Byron L. Dorgan
Chairman
Committee on Indian Affairs
United States Senate

The Honorable Nick J. Rahall II
Chairman
Committee on Natural Resources
House of Representatives

The Honorable Lisa Murkowski
United States Senate

The Honorable Don Young
House of Representatives

This report responds to your request to perform a follow-up audit to assess the Indian Health Service's (IHS) progress in improving its property management. In a June 2008 report and July 2008 testimony we revealed gross mismanagement of property and waste at IHS, including the loss or theft of 5,000 computers and other property worth \$15.8 million.¹ Furthermore, we discussed examples of waste at IHS and estimated that there were about 10 pieces of information technology (IT) equipment per each headquarters employee. We attributed the property mismanagement and waste to a weak internal control environment and ineffective implementation of numerous existing property policies. We stressed that this lack of control had persisted for years due to management failures and a weak "tone at the top."

We made 10 recommendations to IHS to improve its property management. Among our recommendations, we indicated that IHS needed to update its policies, enforce existing policies, and hold staff accountable for lost or stolen property where applicable. In a response to our findings

¹See GAO, *IHS Mismanagement Led to Millions of Dollars in Lost or Stolen Property*, [GAO-08-727](#) (Washington, D.C.: June 18, 2008) for the report and GAO, *Mismanagement Led to Millions of Dollars in Lost or Stolen Property and Wasteful Spending*, [GAO-08-1069T](#) (Washington, D.C.: July 31, 2008) for the testimony.

reported in June 2008, IHS ultimately agreed with all 10 of the recommendations and stated they would implement them.

In 1997, the former IHS Director issued a memorandum to IHS headquarters staff stating that thousands of dollars in computer equipment had been lost or stolen over a 2-year period. These losses were blamed on negligence and disregard for the appropriate safeguards. The memorandum provides evidence that problems related to lost and stolen property have existed at IHS for over 12 years. Given the extent and seriousness of the property management problems at IHS, you asked us to perform a follow-up audit to determine (1) whether property loss, property theft, and wasteful spending continue at IHS; and (2) to what extent IHS made progress in implementing our prior recommendations.

To answer these questions, we analyzed IHS documents that reported lost or stolen property for fiscal year 2008 and part of fiscal year 2009 covering the dates October 2007 through January 2009;² conducted interviews with IHS and Department of Health & Human Services (HHS) officials; reviewed IHS and HHS responses to our recommendations as well as updated policies and procedures; conducted a full physical inventory of property at IHS headquarters;³ and performed a probability sample of IT equipment inventory at six field locations that we selected based on book value of inventory and geographic proximity to other testing locations.⁴ To identify specific cases of lack of accountability, lost or stolen property, and wasteful spending, we analyzed IHS documents and made observations during our physical inventory and statistical tests. We limited our scope to testing only IT equipment items which are highly pilferable or can be easily converted to personal use, such as laptops, desktop

²We analyzed Report of Survey documents identifying property as lost, stolen, missing, or inventory shortages and 2008 inventory status reports. These documents did not overlap IHS property documents which we analyzed in our June 2008 report, covering the period of fiscal year 2004 through fiscal year 2007.

³IHS headquarters property consists mostly of IT equipment.

⁴We considered equipment to be lost or stolen in our physical inventory testing and random sample testing of six field locations if we could not observe the item to confirm bar code and serial number, or if IHS could not provide us with adequate documentation to support the disposal of the equipment. Our findings at these six locations can not be generalized to IHS's other locations. The six sites we selected account for 27 percent of the IT equipment items or 35 percent of the value of IT equipment. The six locations we tested included both IHS region offices and service units such as hospitals and supply centers. Five of the sites we tested in our last audit and one site was a new location included in this sample.

computers, digital cameras, and personal data assistants (PDA). Although we did not perform a systematic review of IHS internal controls, we identified the key causes of lost and stolen property and wasteful spending at IHS by examining IHS policies and procedures, conducting interviews with IHS officials, and assessing the physical security of property through our inventory testing.

We conducted this forensic audit from October 2008 through March 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A detailed discussion of our scope and methodology is included in appendix I.

Background

IHS, an operating division of HHS, is responsible for providing health services to federally recognized tribes of American Indians and Alaska Natives. According to IHS, in 2008, it provided health services to approximately 1.9 million American Indians and Alaska Natives from more than 562 federally recognized tribes. As an operating division of HHS, IHS is included in the agency's consolidated financial statement and has not been audited independently since 2002.

IHS is divided into 12 regions with 161 service units throughout the country.⁵ Service units may contain one or more health facilities, including hospitals, health centers, village clinics, health stations, and school health centers. There are 124 IHS-operated health facilities and 522 tribally operated health facilities. The IHS budget appropriation in 2008 was \$3.39 billion.⁶ Overall, over 40 percent of the IHS budget authority appropriation is administered by tribes, primarily through various contracts and compacts with the federal government.

⁵IHS region offices are located in Aberdeen, South Dakota; Anchorage, Alaska; Albuquerque, New Mexico; Bemidji, Minnesota; Billings, Montana; Nashville, Tennessee; Oklahoma City, Oklahoma; Phoenix, Arizona; Portland, Oregon; Sacramento, California; Tucson, Arizona; and Window Rock, Arizona.

⁶Additionally, IHS reported about \$656 million in third-party collections.

Alarming Rate of Property Loss Continues at IHS

We found that property continues to be lost or stolen at IHS at an alarming rate. From October 2007 through January 2009, IHS identified about 1,400 items with an acquisition value of about \$3.5 million that were lost or stolen agencywide.⁷ These property losses are in addition to what we identified in our June 2008 report. Our full headquarters inventory testing and our random sample testing of six field offices estimated that over a million dollars worth of IT equipment was lost, stolen, or unaccounted for, confirming that property management weaknesses continue at IHS. Also, IHS headquarters and many IHS regions continue to reconcile 2008 inventory as of March 2009. In addition to the \$3.5 million reported as lost or stolen, IHS also had thousands of unreconciled and unaccounted for property items with an acquisition value of \$14.5 million missing about 2 months after conducting its 2008 inventory. These unreconciled and unaccounted for items had largely been located at four field locations that had over 40 percent of inventory items missing. Some of these items will likely be reported as lost or stolen.

IHS Records Indicate Over \$3.5 Million in Lost or Stolen Property

We analyzed IHS Report of Survey documents from fiscal years 2008 and 2009 covering the period of October 2007 through January 2009 for IHS headquarters, National Programs, and the 12 regions.⁸ These reports identified that about 1,400 items with an acquisition value of about \$3.5 million were reported lost or stolen in little over a year. Some of the more egregious examples of lost or stolen property during October 2007 through January 2009 on reports of survey include the following:

- An audiometer—a machine used for evaluating hearing loss—with an acquisition value of \$961 was “put out for trash” at an Oklahoma location that was new and listed in “UNUSED-GOOD” condition.
- A laboratory analyzer at a Navajo health care facility with an acquisition value of \$37,000.

⁷The amount of lost or stolen property stated throughout the report was valued at acquisition cost, which is how IHS typically values the property in its records.

⁸A Report of Survey is the document used to record and present findings and recommendations concerning the loss, theft, damage, or destruction of government property; to approve corrective actions, including financial recovery efforts; and to approve the resulting adjustments to property accountability records.

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- A defibrillator with an acquisition value of \$7,000 and over \$13,000 in desktop and laptop computers that were new in June 2007 at a Tucson location.
 - A telephone switch from National Programs in Albuquerque with an acquisition value of \$25,500.
 - A trailer with an acquisition value of \$7,300 stolen from a Nashville Region Office parking lot over the weekend when the security gates were broken and remained open.

We also found that about 2 months after conducting its 2008 inventory, IHS was still looking for about \$14.5 million in items it identified as missing. Items that IHS continued to search for include the following:

- A 2002 ultrasound unit valued at \$170,000, a 2003 X-ray mammography machine valued at \$100,795, and a 2004 medication dispensing system valued at \$168,285.
- A new pharmacy tablet counter with an acquisition value of \$4,000 from a Washington location.
- A new electrocardiograph—a machine used to record the electrical activity of the heart—with an acquisition value of \$4,000.
- Seven vital sign monitors from a South Dakota Hospital purchased at \$731 each.
- Multiple dental chairs from a Kansas location with acquisition values of \$3,200 each.
- High-dollar-value IT equipment purchased in 2006 including a Central Processing Unit with an acquisition value over \$30,000 and two servers worth \$29,000 and \$12,000.
- A \$14,000 John Deere tractor purchased in 2005.
- Unused IT equipment purchased in 2007 including laptops, desktops, an \$11,000 server, and a television.

GAO Inventory of IHS Headquarters and Selected Field Locations Shows Continuing Property Loss

Our physical inventory testing results were similar to IHS's inventory results and confirmed lost, stolen, or unaccounted for property. Our full inventory testing at IHS headquarters identified that out of the 1,518 items tested that were on IHS's inventory records as of December 5, 2008, 126 items with an acquisition value of \$216,000 (or about 8 percent of the items tested) were lost, stolen, or unaccounted for—including 13 computers purchased in the summer of 2008. These 126 missing items were in addition to the 35 assets that IHS stated were missing in their physical inventory ending September 2008.⁹ The types of equipment missing included digital cameras, laptops, PDAs, and cell phones.

Furthermore, we performed limited testing on new purchases made in fiscal year 2008 at IHS headquarters. We analyzed 19 new purchases to determine if the items existed and were on IHS books. We found that 10 of the 19 items that we tested were not in IHS's inventory records as of December 2008. In addition, IHS could not account for 7 of the 19 items—37 percent of the newly purchased equipment.

We also identified examples of waste that we observed during our audit of IHS headquarters. During our exit conference discussions, IHS agreed some equipment may be underutilized. We identified the following examples of waste:

- One employee was issued a PDA but told GAO that he had not used it in 2 years.
- Another employee was issued a laptop and never used the laptop.
- One user was assigned three laptops but only used one of them. The employee stated that one of the laptops was to be disposed of but provided no explanation for the third laptop.

We selected a probability sample of IT equipment inventory at six IHS field offices to determine whether the lack of accountability for inventory was confined to headquarters or present elsewhere within the agency.¹⁰ Our estimates are based on a probability sample of 250 items from a population

⁹IHS performed their fiscal year 2008 inventory based on inventory records as of May 2008.

¹⁰We selected the six field locations based on book value of inventory and geographic proximity to other field locations being tested. We selected these six from the top nine highest dollar value of pilferable equipment. We tested five of the field locations in our previous audit and added one new field location.

of 6,085 IT equipment items worth over \$19 million recorded in property records for IT equipment at the six field locations. Similar to our finding at IHS headquarters, our sample results indicate that a substantial number of pieces of IT equipment such as laptops, desktops, and printers were lost, stolen, or unaccounted for. Specifically, we estimate that for the six locations, about 800 equipment items with an acquisition value of \$1.7 million were lost, stolen, or unaccounted for.¹¹ This amounts to about 13 percent of all the IT equipment at these six locations. Table 1 below summarizes the disposition of the 250 sampled IT items.

Table 1: Sample Results for Six IHS Field Locations

Item status	Items
Items physically observed during inventory or observed via picture	163
Items with documentation to support disposal	54
Lost, stolen, or unaccounted for items	33
Total Items	250

Source: GAO.

IHS Has Made Limited Progress in Implementing GAO's Recommendations

Weak “tone at the top” persists at IHS, with senior leadership failing to fully implement and enforce 8 of the 10 recommendations we made in June 2008. These failures strongly contribute to the continued loss and theft of property at IHS. Aside from issuing a memorandum from the IHS Director that restated and refined existing IHS policies, IHS has taken little action to provide assurance that employees are aware of and complying with property policies. One way to enforce policies involves holding individuals accountable. However, we found little evidence that IHS has held employees accountable for thousands of lost or stolen items worth millions of dollars. For example, in December 2008, the IHS executive in charge of the property group and other areas received a \$13,000 performance award (8 percent of the executive’s salary) from IHS senior leadership. This award was granted 5 months after the July 2008 hearing exposed mismanagement of property under the executive’s purview. By failing to hold this key property management official accountable, the IHS

¹¹Because these estimates are based on a probability sample, they are subject to sampling error. For example, we are 95 percent confident that missing IT equipment is valued between \$1.13 million and \$2.41 million at these locations. Likewise, we are 95 percent confident that between 9 and 18 percent (or between 564 and 1,097) of the IT equipment items were lost, stolen, or unaccounted for. Additional information on our sample and estimates is presented in appendix I.

Director and senior managers missed an opportunity to communicate the seriousness of IHS property problems to the responsible official.

Although IHS has taken steps to update policy and perform physical inventories, most of our recommendations were only partially implemented. Of the 10 recommendations, IHS has fully implemented 2 and has begun taking steps to implement the remaining items. Table 2 shows the IHS action and status of implementing our recommendations.

Table 2: GAO's June 2008 Recommendations and IHS Actions

GAO recommendation	Status	Notes
Update IHS personal property management policies to reflect any policy changes that have occurred since the last update in 1992.	Incomplete	<ul style="list-style-type: none"> • IHS has taken some steps to update its personal property management policy, but still needs to address gaps including: <ul style="list-style-type: none"> • Establishing local receiving and inspection procedures. • Finalizing national inventory management policy in consultation with region staff. • Updating policies for such areas as disposals and Reports of Survey.
Investigate circumstances surrounding missing or stolen property instead of writing off losses without holding anyone accountable.	Incomplete	<ul style="list-style-type: none"> • Reports of Survey are used to document the result of an investigation into lost or stolen property, including findings of financial liability. • IHS identified over 5,000 missing inventory items in its 2008 inventory and as of March 2009 IHS headquarters and many regions were still reconciling inventory. • IHS could only provide one example of an individual held financially liable for lost or stolen property over a 1-year period. • Over 40 percent of IHS Report of Survey documents have not had a final determination made. A final determination is required to hold individuals accountable and adjust inventory records.
Enforce policy to conduct annual inventories of accountable personal property at headquarters and all field locations.	Complete	<ul style="list-style-type: none"> • Conducted 2008 physical inventory at all regions, Headquarters and National Programs, by September 2008.^a • However, as of March 2009, property officials stated that IHS headquarters and many of the regions were still in the process of reconciling the inventory.
Enforce policy to use receiving agents to document the receipt of property and distribute the property to its intended user and to designate property custodial officers (PCO) in writing to be responsible for the proper use, maintenance, and protection of property.	Incomplete	<ul style="list-style-type: none"> • IHS has trained most receiving agents. • Our review of supporting documents for new purchases shows some improvement, but we identified ongoing problems with receiving reports. • IHS designated PCOs in writing for some of the regions, but there are still gaps of written designations at IHS headquarters and at 4 of the 12 regions.
Enforce policy to place bar codes on all accountable property.	Incomplete	<ul style="list-style-type: none"> • IHS stated that the policy is enforced and the agency will use the 2008 inventory to update unbarcoded items. • However, our inventory testing, which we started 2 months after IHS's 2008 inventory, identified over 50 items with no bar code at IHS headquarters.

GAO recommendation	Status	Notes
Enforce policy to document the issuance of property using hand receipts and make sure that employees account for property at the time of transfer, separation, change in duties, or on demand by the proper authority.	Incomplete	<ul style="list-style-type: none"> Hand receipts are physical records created when an item is issued to an employee. Implementation at headquarters and field locations is not yet complete, with some hand receipts issued for items such as PDAs and laptops but not for other items including desktops.
Maintain information on users of all accountable property, including their buildings and room numbers, so that property can easily be located.	Incomplete	<ul style="list-style-type: none"> We found numerous errors in the Property Management Information System (PMIS) after the IHS annual inventory, such as user errors of 87 percent and location errors of 89 percent at the six IHS field locations where we performed testing.^b Not all IHS field locations maintain specific user and location information in PMIS.
Physically secure and protect property to guard against loss and theft of equipment.	Incomplete	<ul style="list-style-type: none"> Although the IHS Director addressed physical security in an agency wide memorandum where responsibilities were delegated to supervisors and users, we identified examples of unsecured equipment during our work at IHS headquarters and selected field locations including an unsecured server room.
Enforce the use of the PMIS property management database to create reliable inventory records.	Incomplete	<ul style="list-style-type: none"> Training of all relevant property staff is incomplete. Many service units still do not have full access to edit and add items to PMIS. Some service units are still using legacy systems or not yet fully utilizing PMIS.
Establish procedures to track all sensitive equipment such as blackberries and cell phones even if they fall under the accountable dollar threshold criteria.	Complete	<ul style="list-style-type: none"> IHS did not originally concur with this recommendation. IHS ultimately did concur and now follows the updated HHS policy on handling sensitive equipment.^c

Source: GAO.

^aIHS identified a completed physical inventory as the completion of the wall-to-wall walk-through, but stated that it did not include the complete reconciliation of inventory results to property records to make appropriate adjustments.

^bBased on our sample, we are 95 percent confident that the PMIS user error rate was between 80 and 92 percent and that the location error rate is between 83 and 93 percent for the six tested locations.

^cHHS policy on handling sensitive equipment does not include cell phones.

Although IHS took some steps in implementing our recommendations such as changing their policy on handling sensitive items to include Blackberries regardless of the threshold, we identified the following examples of problems fully implementing these corrective actions.

Investigating circumstances surrounding missing property. We saw little improvement in investigating incidents of lost or stolen property. Without these investigations, IHS remains unable to hold individuals financially liable. Out of 1,400 items with an acquisition value of \$3.5 million reported as lost or stolen in IHS Reports of Survey for fiscal year 2008 through January 2009, IHS could only provide one example in which

an employee was found to be financially liable for lost or stolen property. However, as of February 2009, the individual has still not reimbursed the government for the loss—4 months after he was found financially liable. We identified other examples where individuals were not held accountable:

- One employee who was assigned a laptop that was missing told IHS property managers that she could not remember what happened to the laptop. IHS wrote the laptop off its books in September 2008 without holding the employee responsible.
- A laptop was given to an employee in Oklahoma to use at home but IHS did not issue a hand receipt. The employee left the agency and did not return the laptop. According to the Report of Survey, IHS did not hold the employee accountable because the employee left the agency.
- A Phoenix employee's cellular phone was stolen after he left the phone on his desk overnight. The board of survey¹² concluded that the individual was negligent in not properly safeguarding his cellular phone, but recommended that no assessment of liability be held against the employee.
- According to a Portland property officer, a laptop was stolen from an employee's workstation. The workstation was accessible to the public and was not secured in accordance with HHS regulations. According to an IHS property official, the employee had several laptops assigned to him and he did not know that the computer was missing. However, the board did not hold the employee financially liable for the missing laptop.

Enforcing annual physical inventories. Although IHS made progress by conducting a 100 percent physical inventory at IHS headquarters, National Programs, and all 12 regions for the first time in at least 4 years, improvements are needed in timely reconciliation of shortages and updating of its inventory records. Although physical inventories should be performed over a finite period, IHS officials performed extensive searches in an attempt to locate missing items before preparing Reports of Survey

¹²A board of survey is responsible for reviewing and investigating incidents involving loss, damage, or destruction of government property. The board of survey determines whether or not the individuals cited were responsible for the loss, damage, or destruction of government property.

to write them off. As of March 2009, IHS headquarters property officials stated that IHS headquarters and many of the regions were still in the process of reconciling their 2008 physical inventory which they stated they completed in September 2008. For example, we verified in December 2008 that IHS was able to find the Jaws of Life medical equipment reported as lost or stolen in September 2006, but for about 2 years these items were unaccounted for. Furthermore, according to IHS property officials, a board of survey was recently established in March 2009 at IHS headquarters, but has not yet determined what actions should be taken to finalize Reports of Survey in order to update inventory records. In fact, IHS headquarters has not completed a Report of Survey to finalize inventories since 2004.

Enforcing the use of hand receipts. HHS requires the use of hand receipts, known as HHS form 439, any time property is issued to an employee. This form should be retained by a property official so that property can be tracked at the time of transfer, separation, change in duties, or when requested by the proper authority. By signing this form, an IHS employee takes responsibility for the government-issued equipment. In our last audit, we found IHS headquarters did not use the HHS form 439, nor did they use any other type of hand receipt. To enforce this policy, the Director of IHS issued a memorandum in November 2008 which stated that a hand receipt should be signed by employees for all property issued in order to acknowledge receipt and assign responsibility. Based on our limited testing of hand receipts, we confirmed that IHS has begun to implement hand receipts at headquarters and a majority of the field locations where we performed site visits for items such as PDAs and laptops but has not yet started issuing hand receipts for all issued items such as desktops. Also, we found that some of the items we tested did not have hand receipts and one field location has not yet started issuing hand receipts for any type of property.

Maintaining information on users and location. HHS requires IHS to document information on the user and the location of equipment, including building and room number, in order to easily track and locate property. Although the IHS Director included in his November 2008 memorandum a requirement to designate user information for each asset in PMIS, not all of the IHS field locations that we tested maintained specific user and location information in PMIS. Also, our tests of user and location data in PMIS at IHS headquarters and at the six field location shows that PMIS user and location information is not accurate. More specifically, IHS headquarters had user and location errors of 21 percent and 28 percent, respectively; these errors were much higher at the tested

field locations at about 87 and 89 percent, respectively.¹³ As a result of inaccurate user and location information, field staff took several days to locate items that were included in our sample inventory, and IHS headquarters had delays in finding remaining inventory items during GAO's full physical inventory. Inaccurate user and location information also contributes to the lengthy duration of IHS physical inventories—taking several months to reconcile and locate items.

Enforcing the use of PMIS to create reliable inventory records. In a November 2008 memorandum, the IHS director mandated the use of PMIS and removal of all legacy systems.¹⁴ Despite this memorandum, our inquiries at field locations found that legacy systems are still being used. Training has not been completed at the property custodial officer level and not all service units have full access to edit and add items to PMIS. IHS's database is incomplete—at IHS headquarters property officials identified over 500 items during their fiscal year 2008 inventory that need to be added to the PMIS database. This was also the case at one of the field locations where we performed our sample testing; the Aberdeen, South Dakota location has not entered any inventory assets into PMIS since 2007 (about 1,000 items) and stated that they have not been updating any system of record (neither their legacy nor PMIS) since August 2008. Another field location added that they only migrated about 60 percent of their inventory from their legacy system to PMIS. Our testing further verified the incompleteness of IHS's inventory records identifying nearly half of the items selected at the six field locations as not recorded in PMIS.

In addition to ensuring that inventory assets are included in PMIS, a reliable database also should remove from inventory records items that have been disposed of. Our tests showed that at IHS headquarters there was a 63 percent failure rate and the six field locations where we performed testing had an estimated 100 percent failure rate of removing disposed items from property records.¹⁵ We found examples of property items that had been disposed of as far back as 2003 still on the inventory records. IHS property officials said that some of the difficulty in removing

¹³We are 95 percent confident that the user error rate is between 80 and 92 percent and that the location error rate is between 83 and 93 percent for the six tested locations.

¹⁴HHS mandated the property management information system, PMIS, which was implemented over a 2-year process effective October 18, 2007, and contains IHS personal property, including inventory that is capitalized and sensitive.

¹⁵We are 95 percent confident that this failure rate exceeds 93 percent for these locations.

the items arises in coordinating with the Program Support Center (PSC) which maintains the PMIS system and reviews and approves items to be removed from the records. Improved communication and procedures are needed to expedite removing disposal items from the inventory records. Because it has not entered all property information into PMIS or removed all assets that have been disposed of, IHS does not have reliable inventory records for management to be able to make sound purchase decisions.

Physically securing assets. The IHS Director’s memorandum issued in November of 2008 stated explicitly the responsibility of supervisors and users of equipment to safeguard property from loss and misuse. However, during our inventory tests of IHS headquarters and selected field locations we still identified examples showing that the policy is not enforced. For example, we identified new IT equipment stored in unlocked vacant offices—see figure 1.

Figure 1: IT Equipment Stored in Unlocked Vacant Office



Source: GAO.

Physical security weaknesses increase the risk of loss and theft. For example, we identified that a laptop, digital camera, and digital voice

recorder, with a total acquisition value of \$3,510, were stolen in April 2008 from an office at IHS headquarters.

Failure to secure assets also leaves IHS vulnerable to data breaches. For example, in August 2008, a USB stick that contained personally identifiable information on six patients was stolen from IHS's Phoenix health office. This theft has already been referred to HHS through their breach response process.

We also identified a security vulnerability in which the lock for the computer server room in one of the region offices was broken. Rather than repair the door, IHS attempted to restrict access by posting a memorandum on the door—an ineffective means of securing expensive server equipment which could potentially contain sensitive information. See figure 2.

Figure 2: Broken Door to Server Room at Aberdeen Region Office Utilizing Memo to Restrict Access



Source: GAO.

Conclusions

A 1997 memorandum issued by the former IHS Director shows that problems related to lost and stolen property have existed at IHS for over 12 years. Although the memorandum indicates that individuals will be held financially liable for missing items, we found no evidence that IHS has ever taken such steps. As a result, property management problems have continued, and IHS property managers are now faced with the large challenge of gaining control under a decentralized and wide-ranging service structure. Although IHS has taken some steps to improve property management since our June 2008 report, our work shows that these steps are incomplete and that serious attention and effort is required to stop the alarming rate of property loss. Ultimately these problems hinder IHS's mission to deliver health care to American Indians and Alaska Natives.

Recommendations

We recommend that the Director of IHS strengthen IHS's overall control environment and "tone at the top" by fully implementing our prior recommendations and enforcing and updating its property management policies and procedures. As part of this effort, the Director of IHS should direct IHS property officials to take the following six additional actions:

- Develop and enforce procedures and deadlines to reconcile and update inventory records in a timely manner.
- Establish specific deadlines and enforce them for finalizing a Report of Survey once an inventory has been completed so that research on missing items is completed expeditiously and does not continue indefinitely.
- Enforce policy to dispose of unused inventory in a timely manner.
- Establish an approach to stop loss of property to include addressing region-specific inventory shortages.
- Work with PSC to develop procedures to remove disposed items from inventory records in a timely manner.
- Work with PSC to develop procedures to enter overages in PMIS in a timely manner.

Agency Comments and Our Evaluation

We provided HHS with a draft of this report for review and comment. The Acting Assistant Secretary for Legislation of HHS provided written comments that are reprinted in appendix II. HHS agreed with all six of our recommendations to strengthen property management at IHS. As part of

its response, HHS outlined actions it plans to take or has taken to address current and prior recommendations. The following represents a summary and overall evaluation of the HHS response. We also summarize and evaluate the actions IHS plans to take to address our recommendations. We provide comments on specific sections of the HHS response letter in appendix II.

In its response, HHS stated that IHS is committed to proper and accountable property management. According to the response, IHS has spent thousands of hours to respond to our requests and to implement our recommendations. Further, IHS is confident that most, if not all, inventory currently unaccounted for will be identified as a result of the implementation of the PMIS system. HHS also highlighted that training on an agencywide scale has begun on PMIS and that employees are being educated on both the use of this system as well as on agency property policies and guidelines for accountability. A number of actions IHS has taken or plans to take to address our prior recommendations were summarized, including plans to address our current recommendations.

We are pleased that IHS has devoted considerable time and resources to fixing its property management system and to respond to our audit requests. However, we are concerned that numerous significant issues raised by our report were not addressed in the response. Specifically, we are concerned that HHS did not acknowledge the rate of property loss at IHS and the continuing lack of employee accountability for millions of dollars of lost and stolen property. The response indicated that the implementation of PMIS will allow IHS to locate the property that it could not find during the 2008 annual inventory, but we note that completing annual physical inventories is key to identifying missing property. Therefore, IHS should focus on addressing our recommendation to reconcile and update inventory records in a timely manner in order to locate missing property. Further, we note that the accuracy of a system is only as good as the data that is put into it, and that our work has found ongoing, significant errors with the completeness and accuracy of the data input into the PMIS system. IHS has been attempting to implement the PMIS system for nearly 2 years, and our work shows that it continues to experience significant problems. While IHS struggles to implement PMIS, property losses continue.

Regarding our recommendations, HHS agreed with all six of our new recommendations and cited actions that IHS will take to address them. However, the response to some of our recommendations provided little specificity on actions and timing. Further, for two of our

recommendations, the HHS response listed actions with no clear link to our recommendations.

- **GAO Recommendation #1.** We recommended that IHS develop and enforce procedures and deadlines to reconcile and update inventory records in a timely manner. This recommendation resulted from our finding that IHS was unable to complete its 2008 inventory due to reconciliation issues and that millions of dollars in missing items cannot be found. To be effective, an annual inventory needs to be resolved quickly. However, the HHS response addressed inventory overages and indicated that policies regarding receiving and inspection, inventory management, reports of survey, and property disposal were “in process.” The link between this response and our recommendation is not clear and the issue of how IHS will hold staff accountable for completing the inventory in a timely manner is unresolved. This is a particularly important issue given that IHS will need to prepare for its 2009 inventory soon.
- **GAO Recommendation #2.** We recommended that IHS establish specific deadlines and enforce them for finalizing a Report of Survey once an inventory has been completed. The response to our recommendation indicates that IHS is enhancing the Report of Survey process to include timelines and guidance on Board of Survey requirements, but provides no specific details for when this process will be complete. IHS also does not address how it plans to enforce the new guidelines once they are in place.
- **GAO Recommendation #3.** We recommended that IHS enforce the policy to dispose of unused inventory in a timely manner. In response, HHS indicates that IHS has a number of agreements with other agencies to assist it in disposing of property. It also lists several actions it plans to take to address our recommendation, including establishing specific timeframes in a new policy to address timely disposal. HHS indicates that IHS will also “emphasize” a policy to conduct walk-through surveys of IHS facilities and remind staff that proper and adequate justifications must be provided for new acquisitions. Although these actions will help address our recommendation, many of the problems we identified with missing property related to a lack of enforcement of existing disposal policies. The IHS response does not include specific details on enforcement.

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- **GAO Recommendation #4.** We recommended that IHS establish an approach to stop the loss of property to include addressing region-specific inventory shortages. This recommendation directly resulted from our finding that property loss continued at an alarming rate, and that some regions had substantial numbers of missing property. However, the HHS response did not address property loss and instead addressed the IHS policy for issuing hand receipts. The link between this response and our recommendation is not clear. The issuance of hand receipts is only part of the solution to stopping property loss and addressing region-specific inventory shortages. A more appropriate response would have involved the development of a strategic plan to stop property loss with a focus on specific regions, outlining the specific controls and enforcement procedures that should be put in place.
 - **GAO Recommendation #5.** We recommended that IHS work with PSC to develop procedures to remove disposed items from inventory records in a timely manner. In response to our recommendation IHS stated that PSC distributed a procedures guide to all PMIS users in March 2009 and that PSC discussed the guide at an April meeting. According to HHS, the guide outlines the specific requirements and forms needed to process all final events in the property management system. These actions are a step forward, but they do not address how disposal will be completed in a timely manner. Further, HHS stated that a revised property disposal policy will also assist IHS property managers; however IHS provides no detail on what the new disposal policy entails, how it will improve inventory records, or when this policy will be updated.
 - **GAO Recommendation #6.** We recommended that IHS work with PSC to develop procedures to enter overages in PMIS in a timely manner. In their response, HHS stated that the new Purchase Order interface between the Unified Financial Management System and the PMIS will reduce the number of inventory overages that are currently being recorded. In addition, the response stated that IHS can utilize the PSC on a fee basis to add their overages to PMIS. We agree that this new process is likely to help decrease the number of future overages needing to be recorded. However, IHS must still work with PSC to ensure that all current overages are added to PMIS in a timely manner.

If you or your staffs have any questions concerning this report, please contact Gregory D. Kutz at (202) 512-6722 or kutzg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Gregory D. Kutz". The signature is written in a cursive style with a large, stylized initial 'G'.

Gregory D. Kutz
Managing Director
Forensic Audits and Special Investigations

Appendix I: Scope and Methodology

To determine whether property loss, property theft, and wasteful spending continues at the Indian Health Service (IHS)¹ and to what extent IHS made progress in implementing our prior recommendations, we analyzed IHS documents that identified lost or stolen property from fiscal year 2008 through January 2009,² reviewed IHS and Department of Health & Human Services (HHS) responses to our recommendations and updated policies and procedures, conducted a full physical inventory of property at IHS headquarters, and statistically tested information technology (IT) equipment inventory at six selected IHS field locations. To identify specific cases of lack of accountability, lost or stolen property, and wasteful spending, we analyzed IHS documents and made observations during our physical inventory and statistical tests.

We evaluated IHS's progress in implementing our previously reported recommendations by reviewing agency documentation and interviewing property management officials on actions taken in response to recommendations in our June 2008 report. To identify management actions taken in response to previously identified control weaknesses, we obtained and reviewed copies of new and revised IHS and HHS policies and procedures. We reviewed training certificates and property custodial designations, and randomly selected and tested for hand receipts on a limited number of assets at both IHS headquarters and some of the selected field locations.

To determine if IHS physical inventory testing identified continuing weaknesses in property management, we obtained and reviewed information on IHS physical inventory results from all IHS headquarters, National Programs, and 12 IHS regions.³

We also performed a full physical inventory at IHS where we identified problems disclosed in our June 2008 report. Specifically, we tested all 1,518 headquarters property items—largely these items were IT equipment

¹The scope of our audit only included testing IHS property, which does not include the tribal communities.

²We analyzed Report of Survey documents identifying property as lost, stolen, missing, or inventory shortages and 2008 inventory status reports.

³IHS region offices are located in Aberdeen, South Dakota; Anchorage, Alaska; Albuquerque, New Mexico; Bemidji, Minnesota; Billings, Montana; Nashville, Tennessee; Oklahoma City, Oklahoma; Phoenix, Arizona; Portland, Oregon; Sacramento, California; Tucson, Arizona; and Window Rock, Arizona.

that IHS had recorded in its property records as of December 5, 2008. We physically observed each item and its related IHS-issued bar code and verified that the serial number related to the bar code was consistent with IHS property records. In addition, we selected a nonrepresentative sample of new purchases made in fiscal year 2008 for testing at IHS headquarters from documents provided by an IHS vendor and IHS officials. We tested each sample item by either (1) physically observing the asset or (2) obtaining a picture of the asset with a visible bar code and serial number.

Although IHS property at the field locations includes inventory items such as medical equipment and heavy machinery, we performed a statistical test of only IT equipment inventory at six IHS field locations. We limited our scope to testing only IT equipment items that are highly pilferable or can be easily converted to personal use such as laptops, desktop computers, digital cameras and personal data assistants. We selected the six field locations based on the book value of inventory and geographic proximity to other testing locations.⁴ We retested five sites that we sampled last year and added the Aberdeen, South Dakota location because of the high dollar value of assets. Our findings at these six locations can not be generalized to IHS's other locations.

To estimate the extent of lost or stolen property at these six locations, we selected a simple random sample of 250 items from a population of 6,085 IT items valued at over \$19 million. Because we followed a probability procedure based on random selections with each item having an equal chance of being selected, our sample is only one of a large number of samples that we might have drawn. Because each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval. This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals in this report will include the true values in the study population. Based on this sample, we estimate the percentage missing or with other errors, the number of and the dollar amount of lost, stolen, or unaccounted for property for these six IHS locations. The following table summarizes the estimates used in this report along with their corresponding 95 percent confidence intervals.

⁴The six sites we selected account for 27 percent of the IT equipment items or 35 percent of the value of IT equipment. The six locations we tested included both IHS region offices and service units such as hospitals and supply centers.

Table 3: 95 Percent Confidence Intervals for Sample Estimates

Description	Estimate	Lower endpoint of 95 percent confidence interval	Upper endpoint of 95 percent confidence interval
Estimated lost, stolen, or unaccounted for items	803	564	1,097
Estimated percentage of lost, stolen, or unaccounted for items	13.20%	9.26%	18.03%
Estimated dollar amount of lost, stolen, or unaccounted for items	\$1,741,503	\$1,133,855	\$2,408,248
Estimated percentage with PMIS user errors	86.71%	80.40%	91.58%
Estimated percentage with PMIS location errors	88.75%	82.81%	93.20%
Estimated percent failure rate of removing disposed items from their property records	100%	92.95%	100%

Source: GAO.

We considered equipment to be lost, stolen, or unaccounted for if (1) we could not physically observe the item during the inventory; (2) IHS could not provide us with a picture of the item, with a visible bar code and serial number, within 1 week of our initial request; or (3) IHS could not provide us with adequate documentation to support the disposal of the equipment.⁵

To evaluate IHS’s progress in implementing GAO’s recommendation that IHS maintain information on users of accountable property including their building and room numbers, we tested each asset for user and location accuracy for IHS headquarters and the random sample testing at the six field locations. Once an item was determined to exist in current inventory, we assessed whether the asset’s principal user and physical location matched what was recorded in the inventory property database. We also tested the inventory status accuracy in IHS’s property database. If adequate disposal documentation was provided for an asset, the asset was identified as an Inventory Status Error rather than missing.

We performed appropriate data reliability procedures for our physical inventory testing at IHS headquarters and sample testing at the six field locations including (1) testing the existence of items in the database by observing physical existence of all items at the IHS headquarters and IT

⁵To be conservative, we accepted properly documented disposed items, even though it is considered a poor property management practice.

equipment selected in our sample; (2) testing the accuracy of the database by comparing user, location and inventory status; and (3) testing the completeness of the database by performing a 100 percent floor-to-book inventory at IHS headquarters and judgmentally selecting up to two items in the same or adjacent rooms of the randomly selected items tested for existence to determine if these items were maintained in IHS inventory records. Although our testing of the existence, accuracy, and completeness of IHS property records determined that IHS inventory records are neither accurate nor complete, we determined that the data were sufficient to perform these tests and project our results to the population of IT equipment. In addition, we interviewed IHS agency officials, property management staff, and other IHS employees. We also interviewed officials at the Program Support Center (PSC)⁶ and individuals from the HHS Office of Inspector General.

Although we did not perform a systematic review of IHS internal controls, we identified key causes of lost and stolen property and wasteful spending at IHS by examining IHS and HHS policies and procedures, conducting interviews with IHS officials and our observations of property through our inventory testing.

We conducted this forensic audit from October 2008 through March 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶PSC is the support center within HHS that maintains PMIS.

Appendix II: Comments from the Department of Health & Human Services

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

MAY 1 2009

Gregory D. Kutz
Managing Director
Forensic Audits and Special Investigations
U.S. Government Accountability Office
441 G Street N. W.
Washington, DC 20548

Dear Mr. Kutz:

Enclosed are comments on the U.S. Government Accountability Office's (GAO) report entitled: "Indian Health Service: Millions of Dollars in Property and Equipment Continues to be Lost or Stolen (GAO-09-450).

The Department appreciates the opportunity to review this report before its publication.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Pisaro Clark".

Barbara Pisaro Clark
Acting Assistant Secretary for Legislation

Attachment

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED: INDIAN HEALTH SERVICES – MILLIONS OF DOLLARS IN PROPERTY AND EQUIPMENT CONTINUE TO BE LOST OR STOLEN (GAO-09-450)

See comment 1.

The Indian Health Service (IHS or Agency) appreciates the opportunity to respond to the Government Accountability Office's (GAO) report on IHS property management. IHS and its leadership have been and remain committed to proper and accountable property management. As such, IHS has dedicated thousands of hours of manpower to respond to all GAO requests and implementation of GAO's recommendations beginning August 2007 through March 2009. This commitment of time and resources was undertaken while IHS was in the process of implementing a new and more effective Property Management Information System (PMIS) to more accurately account for all purchases and distribution of inventory throughout the IHS system.

See comment 2.

Moreover, although GAO estimates the number of lost, stolen or unaccounted for property, IHS is confident that most, if not all, inventory currently unaccounted for will be identified as a result of implementation of the new and more accurate PMIS. IHS also highlights that training on an agency-wide scale has begun on the new PMIS and that employees are being educated on both the use of this new system as well as agency property policies and guidelines for accountability. Furthermore, in a subsequent referral of this issue to the Office of the Inspector General, it was determined that any charges against IHS employees responsible for agency property management could not be substantiated and that no criminal violations could be cited.

See comment 3.

Overview of Property Management at Indian Health Service

IHS, an Agency of the U.S. Department of Health and Human Services (HHS), is responsible for a national, comprehensive health care delivery system serving American Indians and Alaska Natives. Indian Tribes are authorized by Public Law 93-638, "Indian Self-Determination and Education Assistance Act," to assume control of programs administered by IHS, including administrative support functions. Over 50% of IHS programs and services are operated directly by Tribes.

The Agency structure is a decentralized organization, with the central Headquarters (HQ) office located in Rockville, Maryland and 12 regions (Areas) throughout the United States. Each of the 12 regions is overseen by a senior executive Area Director, who reports directly to the IHS Director, and in turn, oversees service units within their respective Areas that include hospitals, health centers and clinics, utilizing a variety of equipment items necessary to provide direct health care services. The HQ Office primarily serves in a policy advisory role to the IHS Director, and provides technical assistance to the Area Offices to implement those policies, as appropriate. Thus, authority for all operational matters of the local IHS Area has been delegated to each respective Area Director, whereby a broad management control plan is developed each year by HQ for subject areas of highest relative management control risk and necessary focus and oversight is directed to those subject areas by HQ and Area Directors. Moreover, performance measures for property management were placed in all senior

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managers' performance plans in October 2008 for the performance year ending September 30, 2009.

In early fiscal year 2005, HHS made a decision to utilize PMIS, a global system to be used by HHS Operating Divisions, including IHS. IHS focused on migrating then-current property data into the new PMIS was comprised of approximately 121,000 items with an original acquisition cost of \$302 million prior to assigning new and higher HHS accountability thresholds and assessing value of depreciation. IHS converted to the PMIS with a "go live" date in October 2007 and IHS HQ mandated the use of the PMIS system in May 2008 in order to conduct the 2008 inventory. As of April 2009, there are approximately 38,000 items with an original acquisition cost of \$170 million in PMIS. Of the 38,000 items, 852 items are capitalized assets with an original acquisition cost of \$67,918,840 and with a current net book value of \$11,010,514.

The PMIS includes many features that have improved IHS accountability for property. Implementation of the use of each feature is ongoing and should be fully implemented in 2009. A depreciation expense feature, which will adjust the book value of the IHS inventory when it has been fully implemented, was unavailable in the legacy property system. Additionally, the PMIS provides for the Purchase Order (PO) interface between the Unified Financial Management System (UFMS) and the PMIS. This process will allow for all equipment acquisitions to be electronically transferred from the UFMS to the PMIS, thereby, reducing the number of inventory overages that are currently being recorded. During the IHS Property Management Officer's meeting held April 14-16, 2009, an overview presentation of the PO interface functionality was demonstrated. Current plans are to conduct a PO interface training session via WebEx for all current PMIS users in IHS in 2009. Once this training is complete, all IHS Areas will be required to utilize this function in the PMIS.

Additional Steps Taken to Improve IHS Property Management

IHS had already begun the process of migration to the PMIS when GAO began their investigation of IHS Property Management. From June 2007 to May 2008, IHS Headquarters and Area Offices worked with GAO in the audit and investigation by providing group briefings, individual interviews, multiple document productions, and IHS staff support to assist GAO in the completion of their inventories and perform extensive data reconciliations upon GAO's request. In addition to producing documents, IHS made available Agency policies, organizational structures, and inventory records for GAO's review. Through this process, IHS identified additional areas of improving property management. Additionally, at the July 2008 hearing before the Senate Committee on Indian Affairs, the IHS Director testified that he is committed to strong enforcement of Agency policies designed to ensure accurate and timely inventories of accountable personal property throughout the entire Agency.

See comment 1.

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED: INDIAN HEALTH SERVICES – MILLIONS OF DOLLARS IN PROPERTY AND EQUIPMENT CONTINUE TO BE LOST OR STOLEN (GAO-09-450)

See comment 4.

Specifically, during the months immediately following the hearing, IHS completed an Agency-wide 100% physical inventory. Furthermore, IHS carefully mapped out key deliverables to implement necessary policies relating to the recommendations, as agreed to and addressed in the GAO final report (GAO-08-727). Markers for implementation were conveyed to the Congress and GAO on September 19, 2009 in IHS' 60-day status update on recommendations addressed in the GAO report.¹ Please see Attachment to GAO-09-450 found at the end of IHS' comments for detailed status of IHS' implementation of GAO recommendations from the June 2008 report.

See comment 1.

In November 2008, the IHS Director issued an agency-wide policy strengthening the standards for personal accountability for all employees. When the GAO returned in October 2008 for a follow-up investigation which ended in March 2009, reconciliations of the 2008 inventories and the related record clean-up were underway. In an effort to accommodate GAO's audit, IHS prioritized response to GAO's engagement by making available numerous records for review and providing multiple IHS property staff to assist GAO in their review. Although record clean-up resulting from the 2008 inventory is an extensive process, IHS is now able to focus on completion of the needed adjustments as of April 2009, given the completion of GAO's work. Additionally, updates are being made to correct designated users/locations, bar code tagging of new property, including initiation and completion of reports of survey for any remaining shortages.

Moreover, a national meeting was held in April 2009, where all IHS Area Property Management Officers attended. At this meeting, new policies were reinforced, draft policies discussed, and training was conducted on the PMIS. New policies and procedures that are being drafted include the subject areas of receiving and inspection, inventory management, report of survey, and property disposal process. The revised policies will be drafted as IHS Circulars and will be a part of the Indian Health Manual. As such, these policies will establish deadlines for completion of various business processes.

Response to GAO Report

When the GAO's concerns and questions regarding IHS property management practices first came to light, the Department reached out to IHS leadership, including the current Director, to convey the Department's concern about the seriousness of GAO's allegations and IHS' response. IHS leadership responded by implementing steps to reassure that full accountability would continue to be a priority in the property management process. At the same time, the Department worked closely with GAO to fully understand the substantive questions and concerns GAO raised. As new issues have arisen, the HHS has worked with IHS to respond to GAO in a timely manner.

¹ The following Committees received an update: Senate Committee on Appropriations, Senate Committee on Homeland Security and Governmental Affairs, House Committee on Appropriations, and House Committee on Oversight and Government Reform.

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED: INDIAN HEALTH SERVICES – MILLIONS OF DOLLARS IN PROPERTY AND EQUIPMENT CONTINUE TO BE LOST OR STOLEN (GAO-09-450)

See comment 3.

When appropriate, the Department referred matters raised by GAO to the HHS Inspector General (IG) for investigation. Additionally, the IG investigated matters addressed in the June 2008 GAO report as well as matters directly referred by the GAO. IHS remains committed to taking corrective actions, as recommended in reports issued by the GAO and IG.

While GAO and IHS have met on multiple occasions to discuss specific issues addressed in the GAO report, we would like to clarify the following issues:

See comment 5.

Hand Receipts

GAO states in their report that the November 2008 policy requiring hand receipts has not been fully implemented as of March 2009. IHS notes that the GAO used data for their testing and analysis from November and December 2008 inventory records, prepared only days after the new policy was signed by the IHS Director. Implementation of the new policy is mandatory, and the Area Directors are given a full one-year performance cycle ending September 2009, to have the policy fully implemented. Implementation of a hand receipt system increases the level of accountability whereby all assets being tracked in the PMIS will reflect a designated user that must sign for those assets assigned to them. It also provides support documentation to hold individuals financially liable, if warranted, using the report of survey process if items assigned to a designated user cannot be produced at the time of transfer, separation, change in duties, physical inventory, or on demand by the proper authority.

See comment 6.

Determination of Lost, Stolen, or Unaccounted for

According to GAO, equipment was considered to be lost, stolen, or unaccounted for during their field testing if (1) GAO could not physically observe the item during the inventory; (2) IHS could not provide a picture of the item, with a visible bar code and serial number, within 1 week of GAO's initial request; or (3) IHS could not provide GAO with adequate documentation to support the disposal of the equipment. IHS notes that not all items are lost or stolen, but that in many cases these items are temporarily unavailable to be inspected during GAO's visit because items are in use by employees who are out in the field.

See comment 7.

Physical Security of Property

Perimeter security is in place for all IHS administrative offices and IHS continues to safeguard all property by ensuring that access to IHS space is limited to those who have obtained the proper security clearances for each office and/or storage location.

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Response to New GAO Recommendations

IHS concurs with all six new recommendations in this draft report and IHS' response is, as follows:

GAO Recommendation #1: Develop and enforce procedures and deadlines to reconcile and update inventory records in a timely manner.

IHS Response:

As noted above, the PO interface between the UFMS and the PMIS will reduce the number of inventory overages that are currently being recorded and IHS is in the process of updating existing policy to address four specific areas regarding receiving and inspection, inventory management, report of survey, and property disposal process. Additionally, the policy development process involves distribution of the draft policies IHS-wide to solicit review and comment which are considered when finalizing each policy.

GAO Recommendation #2: Establish specific deadlines and enforce them for finalizing a Report of Survey once an inventory has been completed so that research on missing items is completed expeditiously and does not continue indefinitely.

IHS Response:

IHS continues to investigate incidences of missing items and close out existing Report of Surveys as soon as possible. The Logistics Policy Division in the Office of the Assistant Secretary for Administration and Management within HHS is in the process of reviewing the policies in the Logistics Management Manual. Specifically, the HHS Report of Survey process is being enhanced to include required timelines and guidance on Board of Survey requirements and IHS is in the process of updating the existing Report of Survey policy, accordingly.

GAO Recommendation #3: Enforce policy to dispose of unused inventory in a timely manner.

IHS Response:

On April 28, 2009 IHS signed a renewal of its Inter-Agency Agreement with the Defense Reutilization and Marketing Service to turn-in property that is not required or is in scrap condition in the IHS Areas. Those Areas not participating in the agreement are utilizing other methods of disposal such the Federal Prisons Industries – UNICOR Recycling program, U.S. General Services Administration's (GSA) E-Waste Recycling program, and other GSA disposal services. IHS Headquarters has in place an Inter-Agency

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Agreement to turn-in unrequired property² to the HHS Program Support Center (PSC) warehouse facility in Gaithersburg, MD. Specifically, IHS will be implementing the following:

- IHS is in the process of updating the current property disposal process and will address property (under)utilization as well. Moreover, specific timeframes will be established in the new policy to address timely disposal processes.
- Emphasize the policy to conduct walk-through surveys of all IHS facilities to inspect operating areas to locate and dispose of unrequired property.
- A reminder of the property approval process will be distributed to all IHS Areas to reinforce that a proper and adequate justification must be provided for all new equipment acquisitions.

GAO Recommendation #4: Establish an approach to stop loss of property to include addressing region-specific inventory shortages.

IHS Response:

The Special General Memorandum 2008-03 dated November 26, 2008 to all IHS employees addresses the supervisory and personal responsibility for government property that is required by all IHS employees and established an Agency-wide hand receipt system. Specifically, IHS will implement the following:

- All assets will be tracked in the PMIS will have a designated user and a hand receipt will be issued to each designated user for the assets assigned to them.
- A performance element was implemented in FY 2009 for all IHS Headquarters Office Directors and all IHS Area Directors to complete property inventories by August 2009 and to complete issuance of hand receipts by September 2009.

GAO Recommendation #5: Work with PSC to develop procedures to remove disposed items from inventory records in a timely manner.

IHS Response:

The PSC distributed a Final Events Procedures guide to all PMIS users in March 2009 that listed specific document requirements and forms needed to process all final events in PMIS which was discussed in detail by the PSC at the IHS PMO meeting held April 14-16, 2009. Further, the revised property disposal policy will also assist IHS property managers in this process.

GAO Recommendation #6: Work with PSC to develop procedures to enter overages in PMIS in a timely manner.

² IHS policy defines "unrequired property" as any Government-owned property under the control of any office or installation which is not required for its needs or the discharge of its responsibilities, as determined by the head thereof. Also, unrequired property does not become excess property until it is determined that no need exists for such property within the entire Department.

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See comment 8.

IHS Response:

Similar to IHS' response to GAO Recommendation #1, the PO interface between the UFMS and the PMIS will reduce the number of inventory overages that are currently being recorded. Thus, the process to add overages or new assets to the PMIS will be refreshed with all IHS property managers. If necessary, IHS can utilize the PSC on a fee basis to add their overages to PMIS by uploading them from spreadsheet format.

See comment 5.

<p>Update IHS personal property management policies to reflect any policy changes that have occurred since the last update in 1992.</p>	<p>Hand Receipts:</p> <ul style="list-style-type: none">• Indian Health Service Headquarters (HQ) has implemented a policy requiring hand receipts for all blackberries and cell phones. The HQ policy was implemented on May 1, 2008.• These hand receipts will be issued and maintained by Property Custodial Officers at each site where equipment is distributed to employees.• The requirement for hand receipts was expanded to all accountable property through the issuance of a Special General Memorandum (SGM) from the Director on November 26, 2008 outlining personal responsibility of all IHS employees. <p>SES Performance Element:</p> <ul style="list-style-type: none">• On October 1, 2008, IHS HQ placed a performance requirement in all FY 09 Area Directors' performance plans to complete physical inventories and issue required hand receipts by 9/30/09. <p>Sensitive Policy Update:</p> <ul style="list-style-type: none">• HHS updated the policy on handling sensitive equipment on January 12, 2009.• IHS will implement by adding blackberries to definition of sensitive equipment regardless of acquisition cost, and track in PMIS. <p>Receiving of Property Procedures:</p> <ul style="list-style-type: none">• In 2008, IHS revised its receiving process for Information Technology (IT) equipment orders at IHS HQ.
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GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED: INDIAN HEALTH SERVICES – MILLIONS OF DOLLARS IN PROPERTY AND EQUIPMENT CONTINUE TO BE LOST OR STOLEN (GAO-09-450)

	<ul style="list-style-type: none">• IT equipment ordered in bulk is received from the vendor at the HHS warehouse.• IHS property staff and IHS IT staff jointly verify the items on site at the warehouse. Receiving reports are prepared and inventory tags are placed on the equipment at this time.• If an item is being replaced, the IHS end user must turn in the old item before the replacement item will be issued. This complements the existing IHS cost-effectiveness strategy by purchasing computer technology in larger quantities to take advantage of price discounts. <p>Perceived underutilization noted by GAO:</p> <ul style="list-style-type: none">• All of the computers purchased and stored in 2007 have been installed and are currently being used by IHS staff. Purchases made in 2008 are currently being deployed according to the established replacement schedule. <p>National implementation:</p> <ul style="list-style-type: none">• IHS will ensure that receiving and inspection policies are current and being followed, to ensure that receiving reports are processed in a timely manner and all accountable property is recorded in the Property Management Information System (PMIS). All Areas will be required to review and update as needed, their local receiving and inspection procedures in accordance with national policy guidelines and provide copies of those procedures to HQ. This requirement was reinforced at the National Property Officers meeting in April 2009.• In our decentralized management structure, authority for purchasing decisions is delegated to Area Directors by the IHS Director. HQ has encouraged Area Offices to make bulk purchases for cycle replacements (e.g. every 4 or 5 years) as appropriate to local needs. <p>National Inter-Agency Agreement for property disposal:</p> <ul style="list-style-type: none">• IHS HQ has encouraged all IHS Areas to participate in an Interagency Agreement with the Department of Defense (DOD) to turn-in excess property to a DOD facility. This will alleviate the need to store property that is pending disposal.• On April 28, 2009, IHS signed a renewal of the national IAA.• If an Area does not utilize this agreement with DOD, they have been required to demonstrate they have an alternative
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GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED: INDIAN HEALTH SERVICES – MILLIONS OF DOLLARS IN PROPERTY AND EQUIPMENT CONTINUE TO BE LOST OR STOLEN (GAO-09-450)

	<p>agreement with an agency or organization to accept property disposals in a timely manner.</p>
<p>Investigate circumstances surrounding missing or stolen property instead of writing off losses without holding anyone accountable.</p>	<p>Timely Decisions on Property Accountability:</p> <ul style="list-style-type: none"> • IHS HQ issued a policy requirement in August 2008 for Area Directors to approve all Reports of Survey for their respective Area and submit the reports to HQ. • As a part of the inventory reconciliation process, a Report of Survey (ROS) is initiated for inventory shortages. • IHS policy provides 180 days from the time the ROS is initiated, to research the shortages and make final decisions regarding accountability for any losses. • IHS will complete the needed investigations regarding property that is unaccounted for from 2008, removing the item from inventory as appropriate, and will hold employees accountable as deemed appropriate throughout the Report of Survey process. • The new policy issued by the IHS Director in November 2008 to use hand receipts for all items of equipment used on a regular basis by employees, will improve personal accountability. <p>Follow up on allegations of misconduct in the June 2008 report: Yard Sale:</p> <ul style="list-style-type: none"> • The "Yard Sale", as discussed in GAO's June 2008 report was referred to the Department of Health and Human Services (HHS) Office of Inspector General (OIG). The IG has reported to IHS that no criminal activity was found to have occurred. <p>Fabricated documents:</p> <ul style="list-style-type: none"> • IHS reviewed GAO's allegation that IHS staff fabricated documents. Going forward, IHS employees will be trained on using the proper procedures for documenting disposals in a timely manner. • The issue was reviewed by the HHS OIG. The IG has reported to IHS that no criminal activity was found to have occurred.
<p>Enforce policy to conduct annual inventories of accountable personal property at headquarters and all field locations.</p>	<p>Policy requirement to use PMIS:</p> <ul style="list-style-type: none"> • IHS HQ issued an agency wide directive requiring the use of PMIS to conduct annual inventories in May 2008. • All IHS completed a 2008 physical inventory as required by IHS policy. • This requirement will be enforced each year.

See comment 3.

See comment 4.

**Appendix II: Comments from the Department
of Health & Human Services**

**GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN
SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S
(GAO) DRAFT REPORT ENTITLED: INDIAN HEALTH SERVICES –
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BE LOST OR STOLEN (GAO-09-450)**

See comment 8.

See comment 8.

See comment 5.

See comment 8.

See comment 7.

<p>Enforce policy to use receiving agents to document the receipt of property and distribute the property to its intended user and to designate property custodial officers in writing to be responsible for the proper use, maintenance, and protection of property.</p>	<ul style="list-style-type: none"> • 100% of receiving agents have been trained. Property Custodial Officers are designated by each Area Property Management Officer and are trained as a system access requirement of the new PMIS. • Training was reinforced and updated at the National Property Officer's meeting in April 2009.
<p>Enforce policy to place barcodes on all accountable property.</p>	<ul style="list-style-type: none"> • All accountable and sensitive property items were reviewed and barcode tags affixed as a part of the completion of the 2008 inventory. • Any item needing to be tagged will be added to the PMIS. • IHS will distribute periodically the PMIS catalog of items to all property managers, to assist in determining what items require tagging. • This will be a subject area of review in the annual assessment by HQ of Area Office performance.
<p>Enforce policy to document the issuance of property using hand receipts and make sure that employees account for property at the time of transfer, separation, change in duties, or on demand by the proper authority.</p>	<ul style="list-style-type: none"> • IHS Headquarters implemented a policy in May 2008 to require the use of a "Property Pass" to be used for property items being removed from buildings. • Use of hand receipts was included in the topics covered in the SGM from the Director issued on November 26, 2008. Implementation will complete, and performance will be monitored in FY 2009. • IHS uses a clearance form for separating employees. This policy and the use of this form will be enforced prior to an employee's last day of work. It is an IHS-wide policy – Indian Health Manual Circular 2002-06.
<p>Maintain information on the user of all accountable property, including building and room number, so that property can easily be located.</p>	<ul style="list-style-type: none"> • This information was reviewed as the 2008 physical inventory was conducted. • Updates to the PMIS are being continuously made to reflect the current user and location of all accountable and sensitive property. • This is an ongoing process.
<p>Physically secure and protect property to guard against loss and theft of equipment.</p>	<ul style="list-style-type: none"> • IHS continues to safeguard all property by ensuring that access to IHS space is limited to those who have obtained the proper security clearances for each office and/or storage location. Perimeter security is in place for all IHS

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	<p>space.</p> <ul style="list-style-type: none"> The issue of personal and supervisory responsibilities to safeguard property was addressed in the topics covered in the SGM from the Director issued on November 26, 2008.
<p>Enforce the use of the PMIS property management database to create reliable inventory records.</p>	<ul style="list-style-type: none"> Training and system implementation has been completed for HQ and Area Office property managers as of May 2008. Further implementation to the Property Custodial Officer/Asset Center Representative level is ongoing. National training was conducted for all Area Property Officers the week of April 14, 2009 in Rockville.
<p>Establish procedures to track all sensitive equipment such as blackberries and cell phones even if they fall under the accountable dollar threshold criteria.</p>	<p>Improvements in tracking:</p> <ul style="list-style-type: none"> HHS updated the policy on handling sensitive equipment on January 12, 2009 for which IHS will implement by adding blackberries to definition of sensitive equipment regardless of acquisition cost, and track in PMIS. <p>Improvements in security measures:</p> <ul style="list-style-type: none"> On December 23, 2008, the HHS Chief Information Officer (CIO) issued HHS-CIO-2008-0007.001S implementing new encryption standards for all HHS laptop computers, and all sensitive information stored on government-furnished desktops and non-government-furnished desktops used on behalf of the HHS. IHS will ensure appropriate and timely implementation of this new HHS policy directive. In addition, IHS employs a number of management and technical measures to ensure a high degree of security for IT equipment. This includes: 1) All IHS laptops are equipped with hard-drive encryption software; 2) IHS policy prohibits the use or storage of sensitive information on mobile devices (e.g., blackberries) and portable media (e.g., CD/DVD); 3) password protection on all laptop and desktop computers and blackberries; and 4) mandatory IT security training for all IHS employees on how to protect personally identifiable information. IHS has met this training for 100% of all employees with access to IT equipment, if a waiver is required, the mobile device or portable media must be encrypted. All laptops are currently encrypted with the encryption solution that is designated by HHS. The IHS policy that prohibits the storage of sensitive information on mobile devices is in place and reminders

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	are routinely sent to appropriate staff. <ul style="list-style-type: none">• Mandatory IT training occurs on an annual basis with additional updates as needed.

Our comments on the Department of Health & Human Services (HHS) letter dated May 1, 2009, follow.

GAO Comments

1. Time spent responding to GAO requests and recommendations.

In its response, HHS emphasizes a commitment to proper and accountable property management and stresses that IHS has spent thousands of hours responding to GAO requests and recommendations. We are pleased to see that IHS has begun devoting resources to addressing the chronic issue of lost and stolen property. As we reported in June of 2008, IHS property management problems date back to at least 1997. Given the chronic nature of the problem, IHS should be prepared to spend additional hours in the future, and should dedicate resources to enforcement and compliance when, and if, the significant challenges it faces have been resolved.

2. PMIS. In its response, IHS states that it is confident that implementation of its new property management system will eliminate “most, if not all, inventory currently unaccounted for.” This widespread property management problem will not simply be resolved as a result of implementing a new system. IHS must actively manage its property and enforce existing HHS property management policies, to include annual inventories, the issuance of hand receipts, physical security measures, and, critically, a commitment to holding IHS employees accountable for lost or stolen property.

3. Referrals from Prior Report. In our first report, we found evidence that an IHS property employee had fabricated documents and that a “yard sale” of IHS equipment had occurred in Nevada. We referred these incidents to the HHS Office of Inspector General (OIG) for further investigation. In its response to this report, HHS indicated that the OIG had concluded an investigation and that referrals of charges against IHS employees for fabrication of documents and a yard sale could not be substantiated. Concerning the allegations of fabricated documents, the OIG presented the case to the United States Attorney’s Office (USAO) for the District of Maryland—Southern District. Based on the lack of evidence, a criminal prosecution was declined by the USAO. We reported on this incident because an IHS property official admitted to GAO to fabricating documents in order to satisfy our request for the disposition of property. Concerning the yard sale, the OIG reported that no criminal activity was found to have occurred. We reported on this “yard sale” based on the confirmation of eight IHS property officials, including the Phoenix Area executive officer. Although criminal charges could not be substantiated in these cases, we believe that administrative action could still be warranted.

We believe these cases are important because they represent opportunities for IHS to improve accountability for property management.

4. Physical Inventory. IHS stated that it completed an “agencywide 100 percent physical inventory.” We are pleased that IHS has conducted inventories at all locations as of the end of fiscal year 2008. However, conducting and completing inventories are separate matters. Specifically, reconciliation of missing items, to include the use of reports of survey to hold employees accountable for missing property, is the final step in completing an annual inventory. As of April 2009, IHS had not completed the reconciliation process.

5. Hand Receipts. We found that IHS had not fully implemented the use of hand receipts agencywide. In its response, IHS attributes this to the fact that it has issued a new policy and given Area Directors until September 2009 to have the policy fully implemented. Further, IHS mentions that “performance will be monitored in FY 2009.” The proper use and enforcement of hand receipts is a critical issue for IHS and it remains to be seen whether IHS will effectively manage its hand receipt program.

6. Determination of Lost, Stolen or Unaccounted For Property. We provided IHS with three options for proving that property was not lost, stolen, or otherwise unaccounted for during our field tests; these options were (1) direct physical observation; (2) for items not readily available for inspection, photographs with a visible bar code and serial number, to be provided within 1 week; and (3) for items represented as being disposed of, supporting documentation (e.g., disposal records). In response to our draft, HHS stated that these options were not sufficient because, “in many cases these items are temporarily unavailable to be inspected... because they are in use by employees who are out in the field.” We understand that IHS is a decentralized organization with numerous field locations. We believe that we provided a reasonable amount of time for a federal agency such as IHS to locate the items we selected, given its access to digital photography, mobile phones, and the Internet. The fact that IHS was unable to readily identify and provide support for the location of numerous items during our audit is consistent with the results of its 2008 annual inventory.

7. Physical Security of Property. We have identified physical security of property as an ongoing issue for IHS. We disagree with the statement that “IHS continues to safeguard all property.” We understand that property security was addressed in a memorandum from the IHS Director in November 2008, but without an enforcement mechanism to ensure that a policy or procedure is implemented and operating effectively, IHS has no

assurance that it is safeguarding property effectively. Further, we did not systematically evaluate perimeter security, but we found examples where a lack of perimeter security facilitated a loss of property. For example, one Report of Survey indicated a trailer with an acquisition value of \$7,300 was stolen from a Nashville Region Office parking lot when the security gates were broken and remained open. In another Report of Survey, a laptop was stolen from an employee's workstation in Portland. The workstation was accessible to the public and was not secured. Further, we identified additional examples of unsecured equipment including an unsecured server room at one IHS area office.

8. Status of Prior Year Recommendations. In its response, HHS includes a table showing the status of progress made in implementing our prior year recommendations. However, the findings in our report contradict some of the statements made in this table:

- Regarding our recommendation to designate property custodial officers in writing, IHS states that “property custodial officers are designated by each Area Property Management Officer.” Designating property custodial officers in writing is important because it establishes clear responsibility and accountability for property. However, as discussed previously, we found that IHS designated property custodial officers in writing for some of the regions but there were still gaps of written designations at IHS headquarters and at 4 of the 12 regions. This creates uncertainty over property management responsibilities and fosters a lack of accountability at IHS headquarters and the 4 regions.
- Regarding our recommendation to enforce barcoding of accountable property, IHS states that all accountable and sensitive property items were reviewed and barcode tags affixed as part of the 2008 inventory. However, our inventory testing identified over 50 accountable items with no barcode at IHS headquarters. These tests began 2 months after the IHS 2008 annual inventory, indicating that IHS still faces challenges ensuring that all accountable property is affixed with barcodes.
- Regarding our prior recommendation to maintain information on the users of all accountable property, IHS states that it reviewed this information during the 2008 annual inventory and that “this is an ongoing process.” However, as previously discussed, we tested inventory at IHS headquarters and found user and location errors of 21 percent and 28 percent, respectively. These errors were much higher at the tested field locations, where we found errors of 87 and 89 percent, respectively. These tests were performed 2 months after the IHS

annual inventory, indicating that IHS still faces significant challenges in keeping PMIS accurate. Regarding the comment that “this is an ongoing process,” we agree; for as long as IHS continues to purchase property, enter it into PMIS, and assign it to staff, property managers must remain vigilant to ensure that records are accurate.

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contact

Gregory Kutz, (202) 512-6722 or kutzg@gao.gov

Staff Acknowledgments

In addition to the contact named above, Cindy Brown Barnes, Assistant Director; John Ahern, Donald Brown, Arturo Cornejo, Jennifer Costello, Paul Desaulniers, Dennis Fauber, Heather Hill, Christopher Howard, Elizabeth Isom, Leslie Kirsch, Barbara Lewis, Andrew McIntosh, Sandra Moore, James Murphy, Andy O'Connell, George Ogilvie, Lerone Reid, Phil Reiff, Verginie Tarpinian, and Emily Wold made key contributions to this report.

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