



Highlights of [GAO-08-1069T](#), a testimony before the Committee on Indian Affairs, U.S. Senate

Why GAO Did This Study

In June 2007, GAO received information from a whistleblower through GAO’s FraudNET hotline alleging millions of dollars in lost and stolen property and gross mismanagement of property at Indian Health Service (IHS), an operating division of the Department of Health and Human Services (HHS). GAO was asked to conduct a forensic audit and related investigations to (1) determine whether GAO could substantiate the allegation of lost and stolen property at IHS and identify examples of wasteful purchases and (2) identify the key causes of any loss, theft, or waste.

GAO analyzed IHS property records from fiscal years 2004 to 2007, conducted a full physical inventory at IHS headquarters, and statistically tested inventory of information technology (IT) equipment at seven IHS field locations in 2007 and 2008. GAO also examined IHS policies, conducted interviews with IHS officials, and assessed the security of property.

What GAO Recommends

In the report (GAO-08-727), on which this testimony was based, GAO made 10 recommendations to IHS to update its policy and enforce management policies. HHS agreed to 9 recommendations but did not agree to establish procedures to track all sensitive equipment if they fall under the accountable dollar threshold criteria. GAO disagreed with HHS’s assessment and reiterated support for all recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-1069T](#). For more information, contact Gregory Kutz at (202) 512-6722 or kutzg@gao.gov.

INDIAN HEALTH SERVICE

Mismanagement Led to Millions of Dollars in Lost or Stolen Property and Wasteful Spending

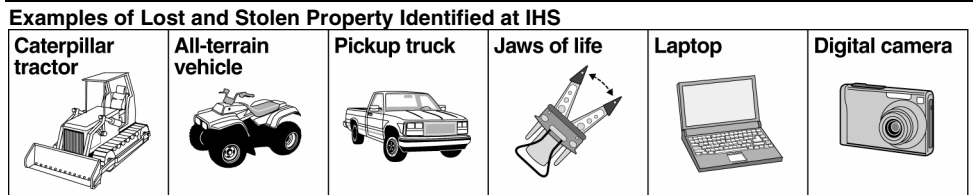
What GAO Found

Millions of dollars worth of IHS property has been lost or stolen over the past several years. Specifically:

- IHS identified over 5,000 lost or stolen property items, worth about \$15.8 million, from fiscal years 2004 through 2007. These missing items included all-terrain vehicles and tractors; Jaws of Life equipment; and a computer containing sensitive data, including social security numbers.
- GAO’s physical inventory identified that over 1,100 IT items, worth about \$2 million, were missing from IHS headquarters. These items represented about 36 percent of all IT equipment on the books at headquarters in 2007 and included laptops and digital cameras. Further, IHS staff attempted to obstruct GAO’s investigation by fabricating hundreds of documents.
- GAO also estimates that IHS had about 1,200 missing IT equipment items at seven field office locations worth approximately \$2.6 million. This represented about 17 percent of all IT equipment at these locations.

However, the dollar value of lost or stolen items and the extent of compromised data are unknown because IHS does not consistently document lost or stolen property, and GAO only tested a limited number of IHS locations. Information related to cases where GAO identified fabrication of documents and potential release of sensitive data was referred to the HHS Inspector General for further investigation.

The figure shows examples of the lost and stolen property GAO identified during the audit.



Source: GAO, Art Explosion.

GAO also found evidence of wasteful spending, including identifying that there are about 10 pieces of IT equipment for every one employee at headquarters. GAO’s investigation also found computers and other IT equipment were often assigned to vacant offices.

GAO identified that the loss, theft, and waste can be attributed to IHS’s weak internal control environment. IHS management has failed to establish a strong “tone at the top,” allowing property management problems to continue for more than a decade with little or no improvement or accountability for lost and stolen property and compromise of sensitive personal data. In addition, IHS has not effectively implemented numerous property policies, including the proper safeguards for its expensive IT equipment. For example, IHS disposed of over \$700,000 worth of equipment because it was “infested with bat dung.”