

Report in Brief

Date: September 2022

Report No. A-07-20-04124

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

American Indians and Alaska Natives have experienced disproportionately high rates of COVID-19 infection and mortality during the pandemic.

There was a global shortage of basic supplies needed to respond to the COVID-19 pandemic. Tribes and urban Indian organizations have turned to the Indian Health Service (IHS) and its National Supply Service Center (NSSC) for leadership and resources, and IHS has distributed funds appropriated in four supplemental bills to IHS facilities.

Our objective was to determine whether IHS's NSSC effectively distributed medical supplies and equipment in response to the COVID-19 pandemic.

How OIG Did This Audit

Our audit covered almost 21,000 NSSC transactions that occurred between March 1 and December 31, 2020. We selected a judgmental sample of a total of 70 transactions between the NSSC and IHS facilities and reviewed these transactions and associated documentation to determine whether orders were fulfilled completely and to evaluate the NSSC's allocation methodology.

We asked questions of IHS headquarters staff, NSSC staff, Emergency Points of Contact in IHS Areas, and officials from some IHS program health care facilities to help us evaluate IHS's monitoring of the distribution of supplies from the NSSC to facilities.

IHS's National Supply Service Center Was Generally Effective in Providing Supplies to Facilities During the COVID-19 Pandemic, but Its Internal Controls Could Be Improved

What OIG Found

The NSSC was generally effective in facilitating the distribution of medical supplies and equipment during the COVID-19 pandemic. Only two of the sampled transactions had errors. However, we noted that the NSSC's internal controls could be improved. In lieu of written policies and procedures, the NSSC relied on the institutional knowledge of key employees in implementing a new medical supply distribution method as the pandemic developed. The NSSC also did not have sufficient warehouse facilities to accommodate all of the medical supplies and equipment it and its customers needed during the pandemic and thus, had to obtain expensive temporary storage. Finally, the NSSC inventory management system was outdated and could not track the routing of a product that had been shipped or provide necessary information about the shipment to the customer.

Because the NSSC did not have written policies and procedures in place that would provide a framework to guide decision-making for emergency situations, its current process is not optimal or sustainable, particularly when institutional knowledge is subsequently lost or diminished. As a result, there is an increased risk that the NSSC will not be able to respond effectively to future emergencies. The NSSC's outdated inventory management system also poses an increased risk to the effectiveness and efficiency of NSSC operations in the future.

What OIG Recommends and IHS Comments

We recommend that IHS's NSSC strengthen internal controls by developing and implementing written policies and procedures for emergency situations; identify feasibly viable options, including seeking additional funding, to prepare for future emergency situations that address additional storage capacity and inventory distribution; and upgrade its inventory management system software to improve its ability to interface with customers and vendors.

IHS concurred with all of our recommendations and described corrective actions that it had taken or planned to take. Specifically, IHS stated that it was developing a new distribution plan for emergency responses, which was expected to be in place by January 1, 2023. IHS also stated that it was identifying and quantifying needs to expand stockpiling capacity and inventory distribution. Lastly, IHS stated that it had already launched a modernization initiative that includes the procurement and implementation of new inventory management software, and which IHS expects to implement by October 1, 2023. We commend IHS for the actions it has taken and plans to take.