

# SEMIANNUAL REPORT TO CONGRESS

*October 1, 2009 to March 31, 2010*



Smithsonian Institution  
Office of the Inspector General

Cover image: The Smithsonian's National Zoo's Reptile Discovery Center welcomed into its collection four chameleon forest dragons (*Gonyocephalus chamaeleontinus*), also known as chameleon anglehead lizards, on November 11, 2009. These young are the first of their kind to hatch at the Zoo.

***Image credit: Meghan Murphy, National Zoological Park***

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The Garber facility, in Suitland, Maryland, stores thousands of collections items from the National Air and Space Museum, including the two airplanes pictured above. The jet in the foreground is a 1950's vintage Navy fighter, a Grumman F9F Cougar. The floatplane in the background is an early World War II Navy search and rescue plane, a Sikorsky JRS-1. **Image credit: Epin Christensen**

# Message to Congress

On behalf of the Smithsonian Office of the Inspector General (OIG), I am pleased to submit this report summarizing the work of our office for the semiannual period ending March 31, 2010. It highlights our efforts to improve the economy, efficiency, and effectiveness of Smithsonian Institution programs and operations, and to prevent and detect waste, fraud and abuse.

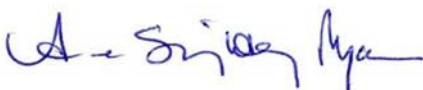
During this period, we issued seven audits and reviews, including reports on personal property accountability, capital projects oversight, and physical security and inventory controls at the National Air and Space Museum (NASM). We oversaw the Smithsonian's external financial statement audits for fiscal year 2009, and we completed a pre-award contract audit in which we questioned \$26,300 in costs. The Institution generally accepted our audit findings and recommendations. It also implemented or planned actions to resolve many open recommendations, including some from our March 2009 audit of the workers' compensation program. These actions enabled the Institution to reduce its appropriations request for workers' compensation for fiscal year 2011 and will significantly reduce the program's long-term costs.

On the investigative side, we received 54 new complaints and opened 4 new cases, and closed 57 complaints and 2 cases. As a result of our investigative work, three employees resigned, one was suspended for 3 days, and one received a letter of counseling.

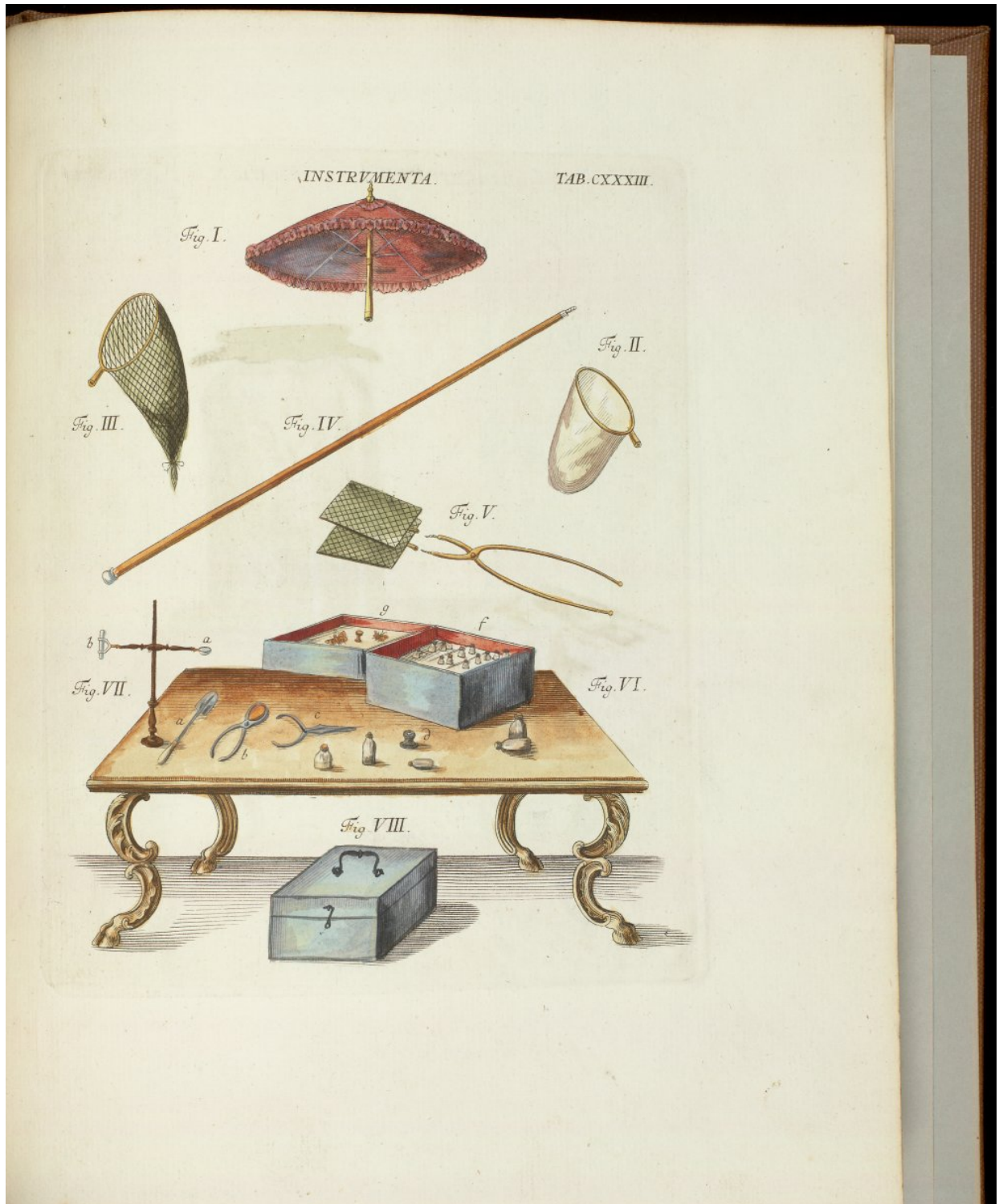
Our oversight continues to focus on governance and on stewardship. The Smithsonian has made significant progress in governance, yet needs to further strengthen management controls, maintain its commitment to continuing reform, and address the balance between central functions and those at the level of the individual museums and research centers.

We will continue our series of audits on the Smithsonian's stewardship of its collections. Our NASM audit found weaknesses in security and inventory controls that increase the threat of loss or theft. The collapse of a storage building during the February 2010 blizzard, damaging collection items, also suggests the need for greater attention to collections issues. Thus, in addition to security and inventory, our audits in this area will examine the preservation of collections and collections storage, two other key aspects of stewardship.

We appreciate the cooperation of Smithsonian management and Secretary Wayne Clough, and the ongoing interest of the congressional committees with whom we work. We thank the Board of Regents and especially the Audit and Review Committee for their support.



Anne Sprightley Ryan  
Inspector General



This image depicts collecting instruments from Jacob Christian Schaffer's *Elementa entomologica* published in 1766. *Image courtesy of Smithsonian Institution Libraries*

# Profiles

## Smithsonian Institution Profile

The Smithsonian Institution is a trust instrumentality of the United States created by Congress in 1846 to carry out the provisions of the will of James Smithson, an English scientist who left his estate to the United States to found “an establishment for the increase and diffusion of knowledge.” Although a federal entity, the Smithsonian does not exercise governmental powers or executive authority, such as enforcing the laws of Congress or administering government programs. It functions essentially as a nonprofit institution dedicated to the advancement of learning.

Since its inception, the Smithsonian has expanded from the Castle to an extensive museum and research complex that now includes 19 museums, the National Zoological Park, and research centers around the nation’s capital, in eight states, and in the Republic of Panama. The Institution is the steward of nearly 137 million collection items, which form the basis of world-renowned research, exhibitions, and public programs in the arts, culture, history, and the sciences. It is the largest museum and research complex in the world.

Federal appropriations provide the core support for the Smithsonian’s science efforts, museum functions and infrastructure; that support is supplemented by trust resources, including external grants and private donations.

## Smithsonian Institution Strategic Plan

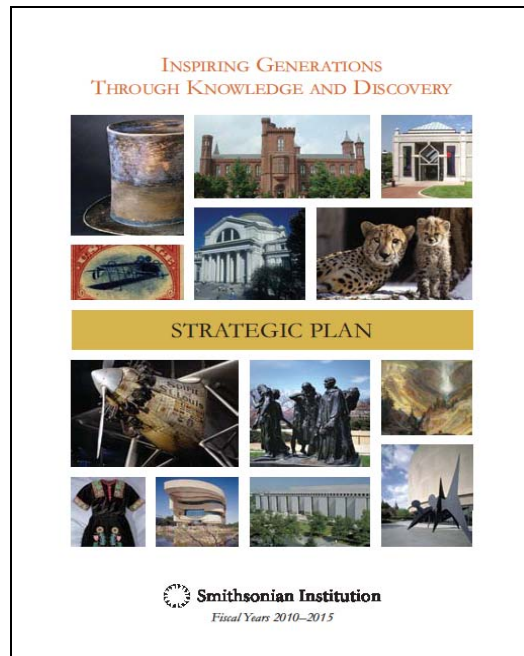
[http://www.si.edu/about/documents/SI\\_Strategic\\_Plan\\_2010-2015.pdf](http://www.si.edu/about/documents/SI_Strategic_Plan_2010-2015.pdf)

In September 2009, the Board of Regents approved the Smithsonian’s new strategic plan for fiscal years (FYs) 2010-2015. The plan sets forth the Institution’s mission, vision, and values, as well as the following priorities, all of which will guide the Institution’s future course.

- Focusing on Four Grand Challenges:
  - ***Unlocking the Mysteries of the Universe***
  - ***Understanding and Sustaining a Biodiverse Planet***
  - ***Valuing World Cultures***
  - ***Understanding the American Experience***
- Broadening Access
- Revitalizing Education
- Crossing Boundaries

- Strengthening Collections
- Enabling Mission through Organizational Excellence
- Measuring Performance
- Resourcing the Plan

We are especially pleased that the Institution’s strategic plan explicitly embraces “a commitment to excellence and accountability” and specifically promotes integrity as a core value, calling on everyone at the Smithsonian to “carry out all our work with the greatest responsibility and accountability.”





## **Office of the Inspector General Profile**

The Inspector General Act of 1978, as amended, created the OIG as an independent entity within the Institution to detect and prevent fraud, waste, and abuse; to promote economy and efficiency; and to keep the head of the Institution and the Congress fully and currently informed of problems at the Institution. The OIG reports directly to the Smithsonian Board of Regents and to the Congress. Currently, the OIG has 17 full-time and 2 part-time employees, with 4 vacancies that we are in the process of filling.

### **Office of Audits**

The Office of Audits independently audits the Smithsonian's programs and operations, including financial systems, guided by an annual Audit Plan that identifies high-risk areas for review to provide assurance that the Institution's programs and operations are working efficiently and effectively. The Audit Division also monitors the external audit of the Institution's financial statements and contracts out reviews of the Institution's information security practices. The Audit Division includes the Assistant Inspector General for Audits, four project managers, seven auditors, and one analyst.

### **Office of Investigations**

The Office of Investigations investigates allegations of waste, fraud, abuse, gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on the Institution's programs and operations. It refers matters to the U.S. Department of Justice whenever the OIG has reasonable grounds to believe there has been a violation of federal criminal law. It also identifies fraud indicators and recommends measures to management to improve the Institution's ability to protect itself against fraud and other wrongdoing. Three Special Agents, with full law enforcement authority, make up the Investigations Division. Two of the positions are currently vacant.

### **Counsel**

The Counsel to the Inspector General provides independent legal advice to the Inspector General and the audit and investigative staff.

# Audits and Reviews

Our audits and reviews address two of the values articulated in the Institution's new strategic plan: *excellence* and *integrity*, and focus on three of the plan's priorities: strengthening collections; enabling mission through excellence; and measuring performance.

We believe our audit work during this semiannual period, which we describe in the following pages, substantially advances these goals and priorities. We completed five audit reports and two reviews; worked with management to close 23 recommendations from previous and current audits; and completed substantial work on ongoing audits.

## ***Audit and Review Accomplishments***

### **Performance Audits and Reviews**

During this period, we issued seven performance audit reports and review reports. These reports covered personal property accountability; oversight of the Regents' travel expenses; oversight of capital projects; and physical security and inventory controls over the National Air and Space Museum collections. We oversaw the external auditors' audits of the Institution's fiscal year 2009 financial statement audits, and conducted a peer review of the Federal Trade Commission IG's audit program. We also conducted a pre-award audit of an architect and engineering services contract. Finally, we continued our oversight of the Smithsonian's use of Recovery Act funds and recipient reporting.

### **Personal Property Accountability**

<http://www.si.edu/oig/AuditReports/A-09-06.pdf>

We conducted an audit of personal property accountability at the Smithsonian to (1) assess the design and effectiveness of internal controls over the acquisition, recording, and disposal of accountable personal property and (2) determine whether recent policy and procedure changes have improved accountability and significantly stemmed losses of such assets. We limited our audit to three types of property – laptop computers, motor vehicles, and weapons. We found that the Smithsonian has made significant improvements to its personal property management program over the last few years, including hiring a dedicated personal property management official, instituting Smithsonian-wide

inventories, implementing a new centralized system to record property, and revising policies and procedures.

While the three units in our sample generally followed policies for centrally recorded property, we identified two missing items from our sample of 265 assets. We also determined that staff at the National Museum of Natural History generally did not use accountability forms for centrally recorded property. Most Smithsonian units also did not use these required forms for their unit-controlled property.



This Smithsonian vehicle, one of the 265 items in our audit sample for the Personal Property Accountability Audit, was awaiting disposal at the Smithsonian's Conservation Biology Institute, formerly known as the Conservation Research Center, in Front Royal, Virginia.

*Image credit: Mary Stevens*

design of its policies. Personal property management policies and procedures do not require the Smithsonian to control all property whose loss may pose a significant risk to the Institution, particularly property, such as BlackBerry devices and laptops, that could

Additionally, we found that the Smithsonian did not hold individuals accountable for personal property. The Smithsonian did not believe that they could hold individuals accountable without a signed form from individuals acknowledging responsibility for the property in their possession. Yet, the Smithsonian did not ensure that all responsible individuals completed these accountability forms. The Institution has held only one person accountable for \$40 worth of the \$12.3 million in missing property in the last five years.

The Smithsonian did not hold individuals accountable for personal property losses because (1) central management did not establish a strong control environment and at least one unit-level manager did not enforce controls, (2) property custodians lacked training, and (3) management did not properly report losses.

Finally, the Institution failed to consider all significant risks in the

contain sensitive information. This lack of control increases the risk that the Institution may compromise sensitive information, which could result in negative publicity, a decrease in public confidence, a loss of donors, and the expense of data breaches or lawsuits.

We made seven recommendations to ensure that the Smithsonian holds individuals accountable for all accountable personal property and that Smithsonian policies and procedures consider the risk of inadvertently disclosing sensitive information through the loss or disposal of such property. Management concurred in whole with our recommendations and proposed corrective actions that will resolve all of our recommendations.

### **Travel Expenses of the Board of Regents**

<http://www.si.edu/oig/AuditReports/A-10-08.pdf>

We conducted this audit at the request of the Executive Committee of the Board of Regents to fulfill a statutory requirement under 20 U.S.C. § 44, which allows each member of the Board to be paid necessary traveling and other actual expenses to attend meetings of the Board and tasks the Executive Committee with auditing these expenditures. Our objectives were to determine whether the reimbursements for Regents' travel to Board and committee meetings were authorized, supported, and reasonable. We also assessed the adequacy of the Smithsonian's policies and procedures governing travel expense reimbursements.

During the audit period, January 1, 2008 through September 30, 2009, only six of the 17 Regents requested reimbursement for travel expenses incurred while attending 24 Board and committee meetings, for a total of \$42,119. Travelers, on average, incurred \$916 per trip. As expected, most of the reimbursements were for hotel and airfare expenses.

We found the Regents traveled for authorized purposes, provided adequate documentation to support their travel costs and submitted travel expenses for reasonable amounts. Further, the Office of the Regents adequately reviewed the reimbursement requests and explained the Smithsonian's newly strengthened reimbursement policies and procedures to the Regents. However, the Office of the Regents had no formal written procedures on allowable expenses and limits.

We made one recommendation: that the Office of the Board of Regents produce written policies and procedures for Regents' travel reimbursements.

Management concurred with our recommendation and finalized written policies and procedures for Regent's travel expenses.

## **Capital Projects Oversight**

<http://www.si.edu/oig/AuditReports/A-09-08.pdf>

In this audit, we found that the Office of Facilities Engineering and Operations (OFEO) has improved the oversight of capital projects during the last several years. Most significantly, OFEO and Smithsonian management meet regularly to monitor capital projects using “Quad” charts, which identify the key elements of a projects’ progress such as budget-to-actual expenses, schedules, milestones, and contingency usage.

OFEO’s Office of Planning and Project Management (OPPM) provides the planning and project management for the execution of the Institution’s Capital Program. The Board of Regents’ Facilities Committee and the Institution’s Capital Planning Board both oversee the program. Contractors also provide schedules that show the progress of projects, as well as upcoming activities and milestones.

We found that the Smithsonian is working toward improving its capital project financial reporting capabilities and reducing the risk of inaccurate financial reporting, but challenges remain. Currently, OFEO officials record project financial information in the Project Financial Information and Tracking System (PFITS), and must manually reconcile PFITS to the Smithsonian’s Enterprise Resource Planning (ERP) software to ensure the accuracy of capital project financial reporting. This process is somewhat inefficient and presents a risk of misstating project costs in any financial statements or internal reports that rely on ERP as their source.

To eliminate the need to reconcile project information from parallel systems, the Smithsonian will implement an ERP project costing module, which should minimize the risks indicated above by eliminating the need for PFITS altogether. OFEO is working with the Office of the Chief Information Officer and the Office of the Comptroller to develop and implement this module during fiscal year 2010.

In addition, based upon our contingency fund analysis, estimated construction contingency funds overall were sufficient to cover unanticipated events and fell within the preferred range of 10-15 percent of the construction award amount.

We made no formal recommendations in this report.

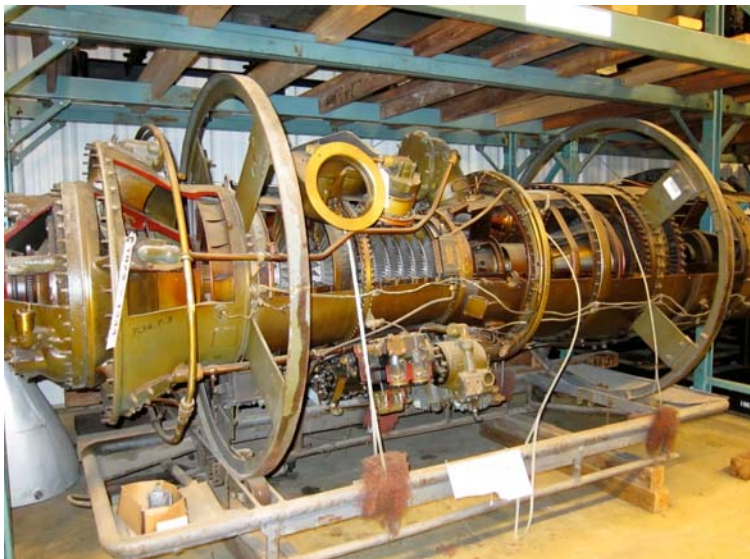
## Physical Security and Inventory Control Measures to Safeguard the National Collections at the National Air and Space Museum

<http://www.si.edu/oig/AuditReports/A-09-04R.pdf>

We believe NASM's physical security is generally adequate to safeguard the collections, but that the Office of Protection Services (OPS) needs to strengthen protection of high-security collection storage areas. We found that OPS had not installed required security devices in all of these areas, and some security controls were frequently malfunctioning or inoperable. These breakdowns increase the risk of theft and diminish control over collections. If thefts were to occur, it would be difficult to identify when and how they took place.

We found that inventory controls were not fully in place. NASM staff has not conducted cyclical inventory reviews as required by NASM policies and did not maintain complete inventory records. Yet, we confirmed that NASM could account for the collection objects in the statistical sample we tested.

The results of this audit were similar to the results of an audit of National Museum of Natural History (NMNH) collections, where we also found security and inventory problems. The results of both audits show the persistence of the collections issues noted in the 2005 report *Concern at the Core: Managing Smithsonian Collections*. We are concerned that five years have passed since that report and almost four years since we issued our report on NMNH. We hope that the Institution's Strategic Plan objective to strengthen collections stewardship signals increased attention to safeguarding the collections.



This Pratt & Whitney T34-P-3 Turboprop Engine Cutaway, in the National Air and Space Museum collections, is in storage at the Garber facility in Suitland, Maryland. *Image credit: Epin Christensen*

In its response to our audit, Smithsonian management maintained that collections are not at risk and objected to fixing security problems piecemeal. Management would prefer to address security deficiencies in the context of Institution-wide risks and conduct upgrades and repairs only in larger

capital projects. OPS would also prefer to be guided by an Institution-wide collections storage plan, but such a plan does not yet exist. We believe the Smithsonian must prudently balance its collections security funding decisions against its long-term strategic goals because the continuing neglect of security and facilities is putting the collections at risk.

We made a number of recommendations to bring collection areas up to OPS standards and strengthen the physical security of NASM's collections, as well as several other recommendations to strengthen inventory controls. Management mostly concurred with our findings and recommendations and has planned corrective actions that resolve most of our recommendations.

## **OIG Quality Assurance Letter on the Institution's FY 2009 Financial Statement Audits**

<http://www.si.edu/oig/AuditReports/A-0907-FSA-Oversight.pdf>

We oversee the external auditors, KPMG, who conduct the Institution's annual financial statement audits. As part of our oversight, each year we issue a quality assurance letter to the Regents' Audit and Review Committee in which we summarize our observations on the Smithsonian's three annual financial statement audits and offer suggestions for improvements in the audit process and in financial controls in general.

### **Summary of Independent Auditor's Opinions**

#### ***Federal Closing Package of the Smithsonian's Special-Purpose Financial Statements***

In its independent auditors' report dated November 13, 2009, KPMG issued an unqualified opinion (the highest level of audit assurance) on the FY 2009 federal special-purpose financial statements. KPMG reported no material weaknesses in internal control. KPMG also reported that the Office of the Comptroller (OC) had resolved the significant deficiency that it first identified in its FY 2007 audit regarding OC's accounting resources and staff capacity.

#### ***Smithsonian Institution Financial Statements***

On January 29, 2010, KPMG issued an unqualified opinion on the Smithsonian's financial statements for FY 2009. KPMG reported no material weaknesses in internal control. KPMG did, however, identify issues relating to contributions accounting, restricted net assets, and sponsored projects accounting. These matters resulted in seven recommendations. Smithsonian management agreed to act on the recommendations.

***Smithsonian Enterprises*** For the second year, at the OIG's request, KPMG performed a special-purpose audit of Smithsonian's Enterprises (SE) "net gain," used to calculate

annual SE incentive awards among other uses. KPMG issued an unqualified opinion on SE's "net gain," but reported one deficiency related to inventory valuation.

### ***Smithsonian's OMB A-133 Audit of Federal Awards***

OMB Circular A-133 audit reports are not published until approximately 9 months after the Smithsonian's fiscal year end. As a result, current year (FY 2009) results are unavailable. However, in FY 2008, KPMG gave the Smithsonian an unqualified opinion on its Supplementary Schedules of Expenditures of Federal Awards and on its compliance with the requirements of OMB Circular A-133.

### **Current Year OIG Comments and Observations**

#### ***Contribution Accounting***

In KPMG's FY 2008 report on internal controls, KPMG had reported contribution accounting as a significant deficiency. In FY 2009, although the Office of the Chief Financial Officer (OCFO) made some progress, KPMG reported that the Institution continued to have problems with contribution accounting.

In January 2009, the OCFO presented ***A Plan for the Strengthening Internal Controls*** in which it identified "Charitable Contributions" as a high-risk process. As described in the Plan and subsequent updates, there remain significant gaps in accounting controls and serious questions about the ability of the current system to handle future demands. The Institution has begun a multi-year effort to improve contribution accounting and related reporting.

#### ***Staff Resources and Capabilities***

In its FY 2009 report on internal controls, KPMG reported that OC had resolved the significant deficiency that it first identified in its FY 2007 audit regarding OC's accounting resources and staff capacity, a significant achievement for OC and the Institution.

#### ***Continuing Improvements in Financial Reporting and Audit Process***

We observed that OC continued to make significant improvements in the Institution's financial reporting and audit processes, as shown by three financial reporting indicators and by improvements in communication and information.

***Financial Reporting Indicators.*** In FY 2009, (1) KPMG reported no significant deficiencies, the first time since we began oversight of the audit; (2) OC resolved 47 of 50 recommendations (or 94%) for the three years ended FY 2008; and (3) KPMG did not propose any audit adjustments, for the first time since we began our oversight. These three indicators signal continuing improvement in the reliability of the Smithsonian's financial



information. Also, during this semiannual period, the Office of the Chief Financial Officer completed corrective actions on an additional five open OIG recommendations related to the Smithsonian's accounting and reporting process.

Improvements in communication and information continued with (1) Smithsonian operating units demonstrating greater accountability for the audit process, (2) OC providing more reliable and timely data to KPMG, and (3) OC shifting more audit work to an interim period to increase audit efficiency and improve data quality.

### ***Update on Prior Year OIG Comments and Observations***

In our oversight letter this year, we followed up on areas we had identified in our FY 2008 oversight letter as needing strengthening.

### ***Perform More Interim Testing***

In FY 2009, the Institution increased interim testing of account balances. In so doing, it reduced the amount of year-end testing and the time needed to resolve audit differences and other issues at year-end. We believe that additional interim testing will continue to improve the timeliness of the audit.

### ***Develop a Plan for Closing Accounts and Producing Financial Quarterly Statements***

Although we understand that quarterly reporting is a long-term goal, we believe that the Smithsonian should work to achieve that goal as soon as possible.

### ***The Institution's Plan for Internal Controls***

In our FY 2008 report, we had recommended that Smithsonian management develop a comprehensive written plan that (i) collects the various recommendations and initiatives relating to financial controls into one strategic document; (ii) prioritizes the various tasks; (iii) maps out required resources to complete each task; (iv) assigns responsibility for accomplishing each task; and (v) stipulates interim and final delivery dates. We had also recommended that senior-level officials closely monitor the Institution's progress in accomplishing the plan's objectives and provide regular progress reports to the Board of Regents.

The plan that OCFO presented to the Audit and Review Committee in January 2009 addressed many of the elements noted above. The plan focused on 23 processes fundamental to the Institution's internal control structure, with an emphasis on the following five high-risk areas: (1) Personal Property Management; (2) Procurement, Contracting and Leasing, and Purchase Card Use; (3) Capital Projects; (4) Charitable Contributions; and (5) Use of Funds Restrictions.

The OCFO has made progress in some of the above areas, primarily in the issuance of Policy Directives. However, the OCFO has not yet issued critical implementation guidance and procedures for many of the directives, most notably those on Contracting and Use of Funds Restrictions. We also noted that the Institution's Directive on Management Controls, which forms the basis for the Institution's overall control structure and which was last issued in 1996, still has not been updated.

## **Peer Review of the Federal Trade Commission's Office of the Inspector General**

Our office performed a peer review of the Office of Audit of the Federal Trade Commission's Office of the Inspector General for the 2 years ended March 31, 2009. We conducted our review in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency. The objective of the peer review was to determine whether the office's quality control system was adequate to provide reasonable assurance that it met generally accepted government auditing standards and established policies and procedures.

In December 2009 we issued our report. We gave the highest possible rating of "pass" to the FTC OIG's system of quality control.

Unlike in our peer review of FTC OIG two years ago,<sup>1</sup> we identified no deficiencies. In our separate Letter of Comment, we did report two findings we did not consider to be of sufficient significance to affect our opinion. We made two recommendations: that the FTC OIG coordinate with FTC officials to ensure the agency develops a system of audit resolution; and coordinate with FTC management to ensure timely corrective actions in response to OIG recommendations.

The FTC IG concurred with our recommendations and has planned actions that resolve our recommendations.

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<sup>1</sup> See our [Semiannual Report](#), April 2008, p. 8.

## Oversight of the Smithsonian's Use of Recovery Act Funds and Monitoring of Recipient Reporting

The Smithsonian received \$25 million under the American Recovery and Reinvestment Act of 2009 (Recovery Act) for the repair and revitalization of existing facilities. The Smithsonian is using its Recovery Act resources for projects to improve the overall conditions of buildings and systems and improve the safety and security of visitors, staff, animals and collections both on the Mall and at its facilities in Maryland and Virginia.

During the semiannual period, we reviewed the clauses of the Federal Acquisition Regulation regarding recipient reporting requirements and confirmed our understanding with the Recovery Act and Transparency Board that the prime contractor should report only its numbers of jobs created and retained, and issued a Management Advisory on our findings (which we detail later in this Semiannual Report).

Additionally, the Office of Audit worked in concert with Institution management to oversee the progress of projects funded with Recovery Act money. We are pleased to report that several projects are more than 50 percent complete and one project at the Zoo is 100 percent complete. Since the inception of these projects, the Institution has obligated about \$22.6 million and spent almost \$14 million.



Workers repairing the Harvard Street bridge connecting the National Zoological Park to Adams Mill Road, NW, a project funded by the American Recovery and Reinvestment Act.

*Image credit: William Hoyt*

Table 1 lists the audit reports and reviews we issued during this semiannual period.

**Table 1: List of Issued Audit Reports and Reviews**

Report Number	Title	Date Issued
A-09-06	Personal Property Accountability	11/18/2009
	Peer Review of Federal Trade Commission Office of the Inspector General	12/11/2009
A-10-08	Travel Expenses of the Board of Regents	01/08/2010
C-09-01	Pre-award Audit of Architect and Engineering Services Contract for the Arts and Industry Building Revitalization Project	01/15/2010
A-09-08	Capital Projects Oversight	01/22/2010
M-09-08	Management Advisory on ERP Project Cost Accounting Module's Effect on Other Systems	01/27/2010
M-10-04-1	Management Advisory on Reporting Recovery Act Jobs Data	02/22/2010
A-09-04	Physical Security and Inventory Control Measures to Safeguard the National Collections at the National Air and Space Museum	03/17/2010
A-09-07	Fiscal Year 2009 Financial Statement Audit Oversight	03/29/2010



The United States National Museum, now known as the National Museum of Natural History, opened 100 years ago, in March, 1910. This photograph was taken May 3, 1917 by an unknown photographer. *Image courtesy of Smithsonian Institution Archives*

## ***Other Audit Activity***

### **Status of Recommendations**

Smithsonian management made significant efforts to implement the recommendations from audit reports we issued during this and prior semiannual reporting periods. As a result, we closed 23 recommendations during the past six months. Implementation of these recommendations resulted in the following improvements in internal controls, information technology security, revenue-generating activities, and program management.

- Strengthened funds accounting for facilities maintenance projects and tracking of maintenance tasks.
- A more rigorous development process and greater security for the Electronic Museum application.
- A reconsideration of certain Friends of the National Zoo membership benefits that may result in increased revenues for the National Zoological Park.
- More stringent management of the Smithsonian Astrophysical Observatory's Scientific Computing Infrastructure.
- A strong Certification and Accreditation package for a major application.
- Increased personal property accountability.
- Documentation of the policies and procedures for reimbursement of Regents' travel expenses.
- A complete inventory and update of inventory records at the National Museum of Natural History of all valuable gems and minerals and development of a follow-up plan to locate any missing objects.
- Better management of the Continuation of Pay and Workers' Compensation programs.

***Implementation of our recommendations from our audits of the Continuation of Pay and Worker's Compensation programs has resulted in significant cost reductions for the Smithsonian, from timecard corrections of over \$100,000 to decreases in the annual appropriations requests the Institution makes to fund these programs as the workers' compensation rolls are more carefully monitored.***

Table 2 summarizes audit recommendation activity.

**Table 2: Audit Recommendation Activity**

Status of Recommendations	Numbers
Open at the beginning of the period	77
Issued during the period	<u>23</u>
Subtotal	100
Closed during the period	<u>23</u>
Open at the end of the period	<u>77</u>

Tables 3 and 4 detail management decisions regarding questioned costs and funds to be put to better use.

**Table 3: Reports Issued with Questioned Costs**

Reports	Number	Questioned	Unsupported
Reports for which no management decision has been made by the commencement of the reporting period	1	\$189,563	\$0
Reports issued during the reporting period	0	\$0	\$0
<b><i>Subtotal</i></b>	<b>1</b>	<b>\$189,563</b>	<b>\$0</b>
Reports for which a management decision was made during the reporting period			
• Dollar value of disallowed costs	1	\$54,933	\$0
• Dollar value of costs not disallowed	1	\$129,057	\$0
Reports for which no management decision has been made by the end of the reporting period	0	\$0	\$0
Reports for which no management decision was made within 6 months of issuance	1	\$5,573	\$0

**Table 4: Audit Reports Issued with Recommendations that Funds Be Put to Better Use**

Reports	Number	Funds Put to Better Use
Reports for which no management decision has been made by the commencement of the reporting period	1	\$7,333,204
Reports issued during the reporting period	1	\$26,330
<b><i>Subtotal</i></b>	<b>2</b>	<b>\$7,359,534</b>
Reports for which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management	1	\$1,316,709 <sup>2</sup>
• Dollar value of recommendations that were not agreed to by management	1	\$13,549
Reports for which no management decision has been made by the end of the reporting period	0	\$0
Reports for which no management decision was made within 6 months of issuance	1	\$6,029,276

While management made progress in closing old recommendations, 56 recommendations we made in prior semiannual periods, primarily related to information security, remained open at the end of this reporting period. Of those recommendations, 2 are over 3 years old, 13 are over 2 years old, 21 are over 1 year old, and the remaining 20 are less than 1 year old. We summarize these open recommendations from prior semiannual periods and their target implementation dates in Table 5.

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<sup>2</sup> As a result of our [Workers' Compensation Program audit](#), during this reporting period, OWCP removed two claimants from the periodic rolls. The Office of Human Resources returned one claimant to work.

**Table 5: Prior Recommendations for which Corrective Actions  
Are Not Yet Complete**

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Steven F. Udvar-Hazy Center Business Activities (8/25/04)	1	The Director of the Office of Contracting should ensure that his staff develops written procedures for monitoring contractor performance.	3/31/2010
National Air and Space Museum Mall Simulators (2/25/05)	1	The Director of the Office of Contracting should develop and implement written policies and procedures for contractor selection.	3/31/2010
FY 2006 FISMA Review of the Smithsonian Institution's Information Security Program (4/20/2007)	2	The CIO should establish Institution-wide controls to ensure that major applications are not placed into production before formal certification and accreditation and formal authorization to operate; and establish procedures to ensure existing policies requiring the use of standard baselines are implemented and enforced.	7/31/2010 to 10/15/2010
FY 2006 Smithsonian Institution Network (SINet) Audit (8/10/07)	1	The CIO should enforce separation of duty controls noted in the SINet system security plan.	10/15/2010
Friends of the National Zoo Revenue Operations (8/28/07)	2	The Executive Director of FONZ should establish a more disciplined system for developing, approving, and documenting formal, written operational policies and procedures and ensure that policies and procedures are implemented as designed. The Board of Directors of FONZ should direct the Executive Director to document a thorough risk assessment and report to the Board on FONZ's system of mitigating controls.	12/31/2010
Human Resources Management System (9/19/2007)	3	The CIO should identify, document, and implement segregation of duty controls for sensitive administrative and system support functions; enforce Institution policy and procedures requiring the weekly review of logs and monthly submission of management reports to OCIO; and, document final baselines for the HRMS operating system and database after determining what Institution-wide baselines will be adopted.	6/30/10 to 10/15/2010
FY 2007 FISMA Audit of the Smithsonian Institution's Information Security Program (3/31/2008)	4	The CIO should ensure that all major and minor systems are addressed in system security plans in accordance with OMB and NIST guidelines. OCIO should identify, document, and implement controls over major and minor systems based on their impact on the Institution or sensitivity of data they process or store; ensure that system sponsors regularly report their progress on security weakness remediation; develop and document procedures for consolidating system-specific POA&M activities into the Institution-wide POA&M; develop and document clear criteria for determining what types of system-specific weaknesses should be included in the agency-wide POA&M; and, develop, document, and implement policies and procedures for conducting annual security control testing.	3/15/2009 to 7/30/2010
ID and Badging, C-CURE Central, and Central Monitoring Systems (3/31/2008)	1	The System Sponsor should implement baselines for the various components of the system including all databases and operating systems, and document deviations from the baseline.	6/30/2011



Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Smithsonian Astrophysical Observatory Scientific Computing Infrastructure (9/30/2008)	8	The Director of the Smithsonian Astrophysical Observatory should logically segregate public-facing SAO web sites ; comply with IT-960-TN16 and maintain individual server configuration documents for each server by system owner with all deviations documented; comply with Smithsonian policy and implement lock-out controls ; research tools that will enable automatic review of account activity or identify compensating controls; and, provide security awareness training to all staff within 30 days of hire. The CIO should develop, document, and implement controls to ensure Smithsonian policy is updated timely to include new IT requirements and disseminated to system sponsors and contractors; and, ensure system sponsors timely implement NIST, OMB, and Smithsonian requirements.	7/15/2009 to 12/15/2010
NMNH EMu Application (10/7/2008)	2	The CIO should ensure all individuals who have direct access to Institution information system resources sign required rules of behavior forms and complete security awareness training; and enforce Institution policy and procedures requiring submission of appropriately detailed management reports to OCIO.	4/15/2009 to 6/15/2009
FISMA Audit of the Smithsonian Institution's Information Security Program (3/17/2009)	8	The Director of the Office of Protection Services should approve an Institution-wide initiative to develop, design and implement a mechanism to track and monitor all employees, contractors, volunteers visiting scholars, and interns, for compliance with security awareness training, regardless of access to an Institution computer or network; ensure the training is available; and enforce the requirement that all employees, contractors, volunteers, visiting scholars, and interns complete the training. The CIO should identify and remediate the weaknesses that permitted individuals who had not completed annual computer security awareness training to avoid consequences of non-compliance; ensure the implementation of FDCC requirements across all domains at the Institution and document any deviations; ensure that all information is included within system POA&Ms in accordance with Institution policies and OMB requirements and ensure that all findings from external or OIG reports are included and tracked within the Institution-wide POA&Ms; identify all of the Institution's public websites that use e-authentication; and complete risk assessments for each public website that uses e-authentication, in accordance with OMB guidance. The CIO and System Sponsor should ensure that C&A policies and procedures are followed.	8/15/2009 to 12/31/2011
Administration of the Workers' Compensation Program (3/24/2009)	3	The Director of OHR should revise Smithsonian Directives to incorporate OWCP guidance on effective management of the workers' compensation program. The Under Secretary for Finance and Administration should develop and implement an Institution-wide return-to-work program; and incorporate a return-to-work component in OHR workers' compensation training for supervisors.	6/30/2010 to 2/28/2011

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Smithsonian Institution Privacy Program (5/29/2009)	11	<p>The Secretary should develop and document responsibilities for the Senior Agency Official for Privacy (SAOP) and identify and document SAOP knowledge and training requirements.</p> <p>The SAOP and the Chief Information Officer (CIO) should develop, document, and implement privacy policies and procedures to support an overall privacy program that adequately addresses privacy-related risks. Privacy policies and procedures for websites should include practices such as conducting risk assessments, requiring a link to Smithsonian privacy policy, and complying with Smithsonian and federal website privacy requirements. They should also ensure that privacy links comply with the Institution's published web privacy policy and procedures. The Director of the Office of Protection Services should develop and implement an annual privacy-training program and require all Smithsonian employees and contractors to complete the training.</p> <p>The SAOP should develop, document, and implement a process for identifying and documenting PII used by the Smithsonian; establish and implement requirements to reduce holdings of PII to the extent practicable; develop, document, and implement procedures for conducting privacy impact assessments (PIAs); post completed PIAs on the Smithsonian's public website; develop, document, and implement policies and procedures for safeguarding documents containing PII; and, develop and implement procedures to enforce compliance with new and existing privacy policies related to the protection of sensitive documents containing PII.</p>	12/15/2009 to 3/15/2012
Smithsonian Institution Research Information System (6/12/2009)	3	<p>The SIRIS Management Committee should implement controls to prohibit individuals from entering SSNs into the SIRIS system; review and configure Sybase settings in accordance with Smithsonian standards and best practices and document and implement these settings; and, review the SIRIS security plan and update it as necessary.</p>	9/15/2009
Facilities Maintenance (9/3/2009)	4	<p>The Under Secretary for Finance and Administration should establish a quality control process to review significant maintenance and capital transactions to ensure that the funding source and accounting classifications are consistent with established policy, and that errors are identified and resolved in a timely manner.</p> <p>The Director of the Office of Facilities, Engineering and Operations should identify obligations incurred from FY 2004 to the present in which OFEO used maintenance funds for capital projects and correct any resulting material accounting misclassifications</p> <p>The General Counsel should determine if any of the obligations identified by OFEO constitute a violation of the Anti-Deficiency Act and correct or report funding errors.</p>	3/31/2010 to 6/30/2010
Facilities Maintenance and Safety (9/14/2009)	1	<p>The Director of the Office of Facilities, Engineering and Operations should use available resources to promptly update and upload all critical assets' scheduled maintenance tasks into FacilityCenter.</p>	7/31/2010
Smithsonian Institution Network Infrastructure (9/29/2009)	1	<p>The Chief Information Officer should direct the Infrastructure, Enterprise Resource Planning (ERP), and Facility Center System owners to remediate identified vulnerabilities.</p>	4/15/2010



A 20,000 square-foot Smithsonian collections storage building in Suitland, Maryland, collapsed during the blizzard of February 2010. The 1960's pre-engineered metal structure was too dangerous to enter for many weeks; contractors stabilized the building with steel supports. The building stored collections items, primarily art work, from the National Air and Space Museum; served as the processing center for incoming and outgoing loans; and had office space. NASM staff continues to assess the extent of the damage to the collections from the collapse and from exposure to the elements and has already begun restoration and conservation efforts on many items. The building is going to be demolished. NASM staff is trying to identify environmentally appropriate storage facilities for the collections; some will eventually be housed at a new collections storage facility at the Udvar-Hazy Center.

***Image credit: Brendan Phillips***

## **Work in Progress**

We have a number of audits and reviews in progress, including those we describe below.

### **Acquisition Workforce Training**

Regents' Governance Recommendation 23 highlighted the Institution's need for increased monitoring of and training for contracting personnel to improve the Institution's internal controls. In FY 2008, the Office of Contracting and Personal Property Management (OCON & PPM) processed about 1,276 actions totaling over \$209 million, approximately 28% of the federal funds appropriated to the Smithsonian that year. A significant amount of OCON and PPM's contract activity is for specialized services such as Architect and Engineering, Construction, and Information Technology. These types of services require unique contracting expertise.

We are auditing acquisition workforce training at the Smithsonian. We are assessing (1) whether policies and procedures exist that specify responsibilities for contracting personnel (specifically, contracting officer's technical representatives and contracting officers); (2) whether contracting personnel are meeting Smithsonian-specified training and certification requirements; and (3) whether Smithsonian acquisitions comply with applicable laws and regulations. We plan to issue our report by the end of the next semiannual period.

### **Collections Stewardship at NMAH**

We have begun our audit of collections stewardship at the National Museum of American History (NMAH) Behring Center. The NMAH Behring Center has over 3 million artifacts in its collection, reflecting all aspects of the history of the United States. The museum reopened in November 2008 after a 2-year renovation and recently moved a number of its stored collections to the Pennsy Collections and Support Center in Landover, Maryland.

This audit is part of our ongoing series of audits addressing weaknesses in physical security and inventory controls for the national collections. With this audit we have expanded our objectives to include an assessment of the preservation of the collections, which we believe is in keeping with the Institution's strategic plan priority to strengthen collections. In 2009, the Secretary established an organizational goal to develop collection assessment standards that can be applied to all Smithsonian collections. The National Collections Coordinator developed a survey for units to rank collections care. The Smithsonian expects to use the results to establish quantitative standards for collections care and, eventually, individual performance standards for collections stewardship. We will review the success in

improving collections stewardship through the use of data collection tools and performance management.



This early 1900's cast-iron toy truck, from a collection of cast-iron and tinplate toys donated by Sears, Robuck & Co., is in storage at the National Museum of American History. ***Image credit: Steven Townsend***

Our objectives in this audit are to assess (1) whether physical security is adequate to safeguard the collections, (2) whether inventory controls are in place and working adequately, and (3) the preservation of the collections. We have conducted interviews with the curatorial staff from the museum's seven divisions. We have begun inventorying a sample of collections from these divisions and have initiated a preservation survey of the storage rooms, equipment, housing, and housing practices.

We expect to complete this audit in the early part of fiscal year 2011.

## **Oversight of the Smithsonian's Use of Recovery Act Funds**

The Smithsonian has obligated about 90% of its Recovery Act funds to date to contractors to repair and revitalize facilities. In the next six months, we will continue to examine the Smithsonian's oversight of the contractors and assess Smithsonian efforts to confirm that each project is meeting milestones, that project officials identify problems and take corrective actions to promptly remedy them, and that the Smithsonian is monitoring the quarterly progress reports each contractor is required to submit to the Recovery.gov, the central database for all Recovery Act activity. We will continue to meet regularly with representatives from the Smithsonian's facilities, contracting, and budgeting operations to provide them with timely results from our ongoing audit coverage.

## **Federal Information Security Management Act Audits**

### ***The Smithsonian Institution's Information Security Practices***

We engaged an outside consultant to perform the annual evaluation of the Institution's overall information security program and compliance with the Federal Information Security Management Act (FISMA). The evaluation focused on the Institution's information system inventory; certification and accreditation processes; security configuration policies and procedures; plans of action and milestones; computer security incident handling; and computer security awareness training. We intend to issue this report before the end of the next semiannual period.

### ***Routers and Switches***

We initiated an audit of connections, switches, and routers to evaluate the effectiveness of controls used to reduce the risk of unauthorized access, unauthorized disclosure, unauthorized alteration, as well as mission degradation and failure. We will assess management controls focusing on risk assessment, planning, and system and services acquisition. We will evaluate operational controls focusing on configuration management as well as system and information integrity. We will also assess technical controls, including identification and authentication, access control, audit and accountability, and system communications protection. We will evaluate management controls that ensure adequate bandwidth is available by assessing planning and systems and services acquisition. We intend to issue this report by the close of the next semiannual period.

# Management Advisories

During the course of investigations, and occasionally audits, the OIG learns of issues or problems that are not within the immediate scope of the investigation or audit and may not merit the resources of a full-blown review, or issues that require immediate management attention. To alert management to these issues so that they may be addressed promptly, we send Management Advisories or Investigative Memorandums on Management Issues and ask for a response.

During this reporting period, we issued two management advisories.

## **Reporting Recovery Act Jobs Data**

[http://www.si.edu/oig/ARRA\\_Reports/M-10--04-1.pdf](http://www.si.edu/oig/ARRA_Reports/M-10--04-1.pdf)

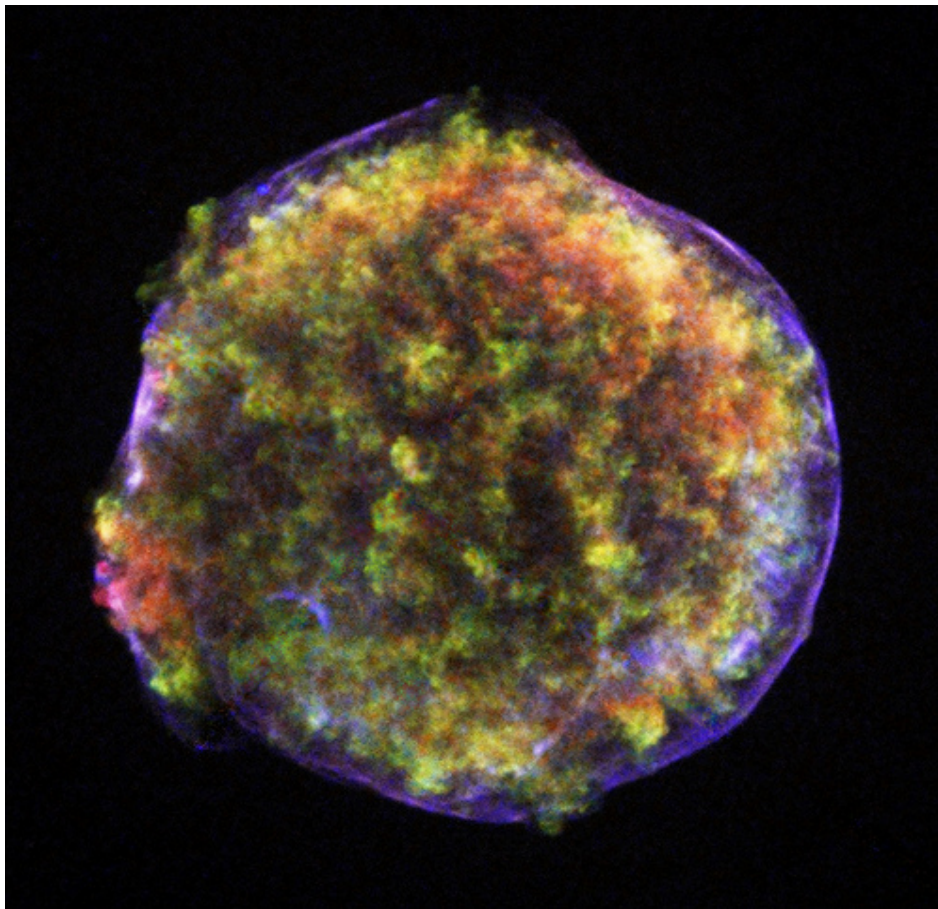
In January 2010, companies under contract with the Smithsonian to perform work funded by the American Recovery and Reinvestment Act (Recovery Act) submitted their quarterly reports as required by the law. The reports summarized the financial activity of each company and included data on jobs created and retained. We reviewed the clauses of the Federal Acquisition Regulation (FAR) regarding jobs reporting, confirmed our understanding with the Recovery Act and Transparency Board (RATB), and concluded that the prime contractors are over-reporting the number of jobs created and retained from Recovery Act funds. Specifically, in the reports submitted to the Smithsonian for the quarters ending September 30, 2009 and December 31, 2009, prime contractors included jobs data about their own companies as well as jobs data from companies with which they entered into subcontracts. FAR clause 52 204-11, which all the federal contracts with the Smithsonian are subject to, instructs prime contractors to limit their job reports to only those created and retained by prime contractors.

We issued a management advisory to Smithsonian officials to alert them to this issue. While reporting on jobs created and retained by both prime contractors and subcontractors is understandable given the purpose and spirit of the Recovery Act, doing so is inconsistent with the FAR and therefore overstates the number of jobs created or retained.

## ERP Project Cost Accounting Module's Effect on Other Systems

During our audit of Capital Projects Oversight, we met with officials from the Office of Facilities Engineering and Operations and discussed anticipated changes in the information systems used to support capital project management. In our discussions, we found that the plans to implement a Project Cost Accounting module in the Institution's Enterprise Resource Planning (ERP) system may jeopardize the integrity of information in the Cost Engineering Division's Cost Tracking System.

Our preliminary observations indicated that there may have been a need to manage systems development differently to ensure that user needs were fully considered. We issued this memorandum separately from our capital projects oversight audit report because this topic was outside the scope of our audit and we did not examine the ERP development project in detail.



This image, taken by the Chandra X-ray Observatory, depicts the remnants of a supernova first observed in 1572. The Smithsonian Astrophysical Observatory, in Cambridge, Massachusetts, controls Chandra's science and flight operations.



# Investigations

During the last two reporting periods, we received 100 complaints, reflecting an upward trend that we believe stems from our increased outreach to the Smithsonian community (see below). From the 54 complaints we received this period, we opened 4 cases. We also closed 57 complaints and 2 cases, resulting in 3 resignations, 1 reprimand, and 1 suspension, and we saved the Institution \$25,000, recovered retail items worth \$1,170, and recovered one collection item.

Following are summaries of significant investigations we closed in the last six months.

## **Abuse of Authority**

OIG agents substantiated an allegation that a senior manager improperly allowed a subordinate employee to telecommute without proper authorization and improperly documented the subordinate's leave status. The senior manager received a three-day suspension.

## **Fraud**

In this semiannual period, OIG agents concluded five investigations substantiating fraudulent activity.

- A Smithsonian employee submitted fraudulent documentation to a home mortgage company in support of an application for a mortgage from the Federal Housing Administration. The employee used a Smithsonian email account and facsimile equipment, and allowed the use of forged Smithsonian letterhead. The employee admitted to the conduct and retired in lieu of administrative action. The employee also forfeited a buyout incentive of \$25,000. The U.S. Attorney's Office declined to prosecute.
- A Smithsonian employee performed duties that were in violation of a medical disability retirement from another agency, and failed to disclose the terms of the retirement. The employee resigned in lieu of termination.

- An employee improperly handled funds for obtaining visas, instructing other employees to provide blank money orders or claiming that cash was lost, or claiming that payment was needed when in fact it was not, and converted the funds to the employee's own use. Agents estimate that losses to the Institution and to individuals were in the thousands of dollars, but recordkeeping was so poor that OIG agents could not determine the precise amount. The employee resigned in lieu of termination. The U.S. Attorney's Office declined to prosecute.
- OIG agents assisted Smithsonian Enterprises in investigating fraudulent credit card transactions received by the Smithsonian Catalog during the holidays. Individuals in the U.S. who received shipments of goods purchased with the fraudulent credit cards were unwitting participants in the fraud. The perpetrators were located in Nigeria and Malaysia and prosecution was not viable. OIG agents recovered 6 rings that had been fraudulently purchased, valued at approximately \$1,170, and returned them to Smithsonian Enterprises.
- An employee who had found a payroll check belonging to another employee cashed the check at a local store. The employee admitted to the forgery and his family reimbursed the amount. The employee resigned in lieu of termination. The U.S. Attorney's Office declined to prosecute.

## **Conflict of Interest**

An OIG investigation substantiated an allegation that a Smithsonian employee maintained a business that was similar enough to the employee's Smithsonian duties to be a conflict of interest. The employee did not obtain the proper clearance to conduct the business. Management gave the employee a letter of counseling.

## Recovery of a Collection Item

OIG agents assisted NASA OIG agents in obtaining documentation of several Apollo H-1 rocket engines that had been on loan from the Smithsonian during the 1980s, one of which was not returned. That engine, along with a NASA-owned Apollo J-2 engine, had recently been offered for sale by private parties. NASA OIG agents recovered their engine along with an H-1 engine that is the property of the National Air and Space Museum.



NASA staff, including NASA OIG Agent Wade Krieger, stand in front of two recovered Apollo rocket engines. The one on the left, an H-1 engine, belongs to the National Air and Space Museum.

*Image credit: NASA OIG*

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The following table summarizes complaint activity for this reporting period.

**Table 6: Summary of Complaint Activity**

Status	Number
Open at the start of the reporting period	28
Received during the reporting period	54
Subtotal	82
Closed during the reporting period	57
Total complaints pending	25

The following table summarizes investigative activity for this reporting period.

**Table 7: Summary of Investigative Activity**

Investigations	Amount or Number
<b>Caseload</b>	
Cases pending at beginning of reporting period	4
Cases opened during the reporting period	4
<b>Subtotal</b>	<b>8</b>
Cases closed during the reporting period	2
Cases carried forward	6
<hr/>	
<b>Accepted for Prosecution</b>	
Pending at the beginning of the period	1
Accepted during the period	0
Pending at the end of the period	1
<hr/>	
<b>Successful Prosecutions</b>	
Convictions	0
Fines	0
Probation	0
Confinement	0
Monetary Recoveries and Restitutions	0
<hr/>	
<b>Administrative Remedies</b>	
Terminations	0
Resignations	3
Reprimands or admonishments	1
Reassignments	0
Demotions	0
Suspensions	1 (3 days)
Monetary loss prevented	\$25,000
Funds Recovered	\$1,170
Management Advisories	1
Collection Items Recovered	1
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## Other Investigative Activity

### **Fraud Awareness Program**

OIG Special Agents continue their proactive measures to increase awareness by participating in every new employee orientation held by the Institution, which occur bi-weekly. As a result, during this period OIG Agents presented an “Introduction to the OIG and Fraud Awareness” session to approximately 187 new Smithsonian employees. They continue to find that most new employees were unaware of the functions and responsibilities of the Office of the Inspector General, and their participation in these training sessions has increased our office’s visibility and profile within the Institution.

### **Involvement with Other Organizations**

OIG Agents became members of the steering committee for the Interagency Fraud Risk Data Mining Group that assists other OIG offices and similar offices in identifying systemic fraud and other risks through automated techniques. OIG agents have also joined other OIG agents in a workgroup sharing information on investigations of funds involving the American Recovery and Reinvestment Act. OIG agents remain actively involved with the Washington Metro Electronic Crimes Task Force. OIG Agents also participated in the Procurement Fraud Working Group, the Misconduct in Research Working Group, the Metro Area Fraud Task Force, and the Security Association of Financial Institutions workgroup.

#### ***Impact on Institution Policies***

***In response to an investigative inquiry, the Office of Equal Employment and Minority Affairs updated its website to address how teleworking may be a reasonable accommodation for an employee with a medical condition or disability.***

# Other OIG Activities

## Congressional Liaison

We continue to meet regularly with staff from the various House and Senate committees that have jurisdiction over the Smithsonian to brief them on our work and on upcoming issues, and to solicit their suggestions for future audits and reviews.



## Legislative and Regulatory Review

The Inspector General Act mandates that our office monitor and review legislative and regulatory proposals for their impact on the Smithsonian's programs and operations and with an eye toward promoting economy, effectiveness, efficiency, and preventing fraud, waste, abuse and mismanagement.

During this period, we reviewed and commented on several draft policies by the Office of the Chief Information Officer, including the Smithsonian Cellular Mobile Device Policy and the related Cellular Mobile Device Purchasing and Support Waiver Request, the IT Security Plans of Actions and Milestones, as well as the policy on Configuration Management of Baselines.

During this period, IG Counsel, working with counsel from other Inspector General offices across the federal government, also monitored and commented on a number of bills stemming from the Inspector General Reform Act of 2008 and a number related to congressional efforts to strengthen federal protections for whistleblowers.

## Inspector General Testimony

[http://www.si.edu/oig/AuditReports/SIIG\\_Testimony\\_121009.pdf](http://www.si.edu/oig/AuditReports/SIIG_Testimony_121009.pdf)

On December 10, 2009, the Inspector General testified before the House Committee on Appropriations Subcommittee on Interior, Environment and Related Agencies, along with a representative of the Government Accountability Office and the Secretary of the Smithsonian.

The Inspector General testified that while the Smithsonian has made significant and tangible progress in governance reform, it needs even stronger management control and needs to bolster its commitment to continuing reform and to careful stewardship of public resources.

The Inspector General noted that the Smithsonian needs greater financial discipline, especially in high-risk areas such as use of funds; and personal property accountability. She pointed to her office's recent audit of facilities maintenance funds,<sup>3</sup> which found that the Smithsonian took funds appropriated for facilities maintenance and applied them to unplanned capital projects, funding about \$550,000 out of about \$1 million in 2 fiscal year 2008 capital projects. These errors occurred because of a relaxed view of management controls, one that prefers ambiguity without appreciating that ambiguity also creates confusion and errors. Responsibility for funds control was dispersed, there was little common understanding of the purpose and rules governing funds control, and thus there was no accountability for mistakes. Also, appropriate training, supervision, and quality control were lacking.

The Inspector General also noted that a recent audit on accountability for personal property,<sup>4</sup> which includes everything from desks to laptops to trucks to telescopes, again found a lack of discipline. Fortunately, recent changes in policies and procedures have substantially improved management of personal property. Yet the Smithsonian needs to make even more progress. It did not hold individuals accountable for personal property losses, believing it couldn't do so without having employees sign forms acknowledging responsibility for the property. At the same time, the Smithsonian did not ensure that people completed these forms. The Institution has held only one person accountable for \$40 of the \$12.3 million in missing property in the last 5 years. Moreover, current policy does not hold unit managers directly responsible for enforcing personal property accountability, because of unit management resistance.

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<sup>3</sup> *Facilities Maintenance Funds*, No. A-09-03-01 (Sept. 3, 2009), <http://www.smithsonian.org/oig/AuditReports/A-09-03-01.pdf>. We reported on this audit on page 9 of our prior Semiannual Report: [http://www.smithsonian.org/oig/Semiannual\\_Reports/Semiannual\\_Report\\_093009.pdf](http://www.smithsonian.org/oig/Semiannual_Reports/Semiannual_Report_093009.pdf).

<sup>4</sup> *Personal Property Accountability*, No. A-09-06 (Nov. 18, 2009), <http://www.smithsonian.org/oig/AuditReports/A-09-06.pdf>, which we describe in detail above on page 4.

The second main topic of the Inspector General's testimony concerned appropriate central oversight. She testified that there needs to be a shift in the interaction between the Smithsonian's central functions and its units. The units' autonomy is longstanding, and nurtures vitality and creativity. But it also poses serious risks to the Institution's limited resources. Inaccurate accounting, inadequate project oversight, and risks to privacy are just some of the consequences of this decentralization. Functions such as procurement, information technology, information security, project oversight and accounting should not be subject to varying policy interpretations and operating practices.

She also testified about stewardship of the collections and commended the increase in the fiscal year 2010 appropriations for the Institution's collections care initiative. She stressed, however, that the Smithsonian's collections **are** increasingly at risk. There are weaknesses in collections security, inventory controls, and storage.

Finally, the Inspector General commented on a general challenge to improving management controls at the Smithsonian: the need for better internal marketing, to explain that the purpose of management controls is not to create paperwork, it is to reduce risk and improve operations and thereby protect Smithsonian resources. Nor is its purpose to centralize power. Effective management controls produce the information needed to make difficult resource decisions, such as how much a program costs, whether it works, and how it compares to other programs. Strong management controls reduce problems that cost money (for example, ensuring that laptops don't disappear), or that cause public embarrassment (for example, creating oversight that prevents lavish spending, or ensuring that if a laptop does disappear, no sensitive information is lost). Finally, by fostering greater transparency and accountability, strong management controls instill confidence in the Institution, assuring its appropriators and donors that the Institution is a proper steward of its resources.



Back cover: Artifacts from Arts and Industries Building renovation, which is being funded in part by the American Recovery and Reinvestment Act. The exit signs are from the 1970s.

***Image credit: Steve Townsend***



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