



Smithsonian Institution
Office of the Inspector General

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2014 – September 30, 2014



Table 1: Semiannual reporting requirements of the Inspector General Act of 1978, as amended

IG Act Reference	Reporting Requirement	Pages
Section 4(a)(2)	Review of legislation and regulations	13
Section 5(a)(1)	Significant problems, abuses and deficiencies	None
Section 5(a)(2)	Significant recommendations for corrective action	None
Section 5(a)(3)	Reports with corrective action not completed	8-9
Section 5(a)(4)	Matters referred to prosecutive authorities	12
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	4-5
Section 5(a)(7)	Summaries of significant reports	4-5
Section 5(a)(8)	Audit, inspection and evaluation reports—questioned costs	None
Section 5(a)(9)	Audit, inspection and evaluation reports—funds to be put to better use	7
Section 5(a)(10)	Prior audit, inspection and evaluation reports unresolved	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None
Section 5(a)(14-16)	Peer reviews conducted	10

Cover image: Garden Fest in the Enid A. Haupt Garden with the Smithsonian Castle in the background. Photo courtesy of Smithsonian Gardens.

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Abbreviations

CIO	Chief Information Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
FISMA	Federal Information Security Management Act
NMNH	National Museum of Natural History
OIG	Office of the Inspector General
PMI	Parking Management, Incorporated
SAO	Smithsonian Astrophysical Observatory

Message from the Inspector General

On behalf of the Smithsonian Institution's Office of the Inspector General, I am pleased to submit my first semiannual report. This report highlights the audit and investigative activities of our office for the six-month period ending September 30, 2014.

Throughout this semiannual period, our audit work addressed issues intended to improve the efficiency and effectiveness of Smithsonian Institution's programs and operations. Our three issued reports addressed opportunities to: better inform management's decision making process regarding buying or leasing office space, improve its information security program, and oversee reimbursement of travel expenses for members of the Board of Regents. We also completed substantial work on four ongoing audits and closed 15 recommendations.

Our investigative activities continued to prevent and deter fraud, waste, and abuse through an active outreach program and to hold accountable those who sought to harm Smithsonian Institution's programs and operations. We completed our investigation of fraud at contractor parking operations at the Steven F. Udvar-Hazy Center. As a result of OIG's work, the Smithsonian Institution was able to recover \$1.56 million, which is the estimated dollar amount of the fraud committed. We also completed 3 other investigations and resolved 29 complaints.

It is also important to note our appreciation for the significant contributions of our Counsel, Epin Christensen, who served as Acting Inspector General for eight months in the past year. In her tenure as the Acting Inspector General, her accomplishments in managing the office and maintaining effective working relationships with the Board of Regents, management, and the Congress are particularly noteworthy.

In the months ahead, we will continue to focus on issues of importance to the Smithsonian Board and management in meeting their stewardship and fiduciary responsibilities, supporting congressional oversight, and providing information to the public. We hope that you find this report informative.



Cathy L. Helm
Inspector General

Introduction

Smithsonian Institution

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.”

The Smithsonian is the largest museum and research complex in the world. It currently includes 19 museums and galleries, the National Zoological Park, 9 research centers, and numerous research programs. These facilities hosted over 30 million visitors in 2013. The Smithsonian is the steward of approximately 138 million objects and specimens, which form the basis of world-renowned research, exhibitions, and public programs in the arts, culture, history, and the sciences.

The Smithsonian’s Affiliations Program brings its collections, scholarship, and exhibitions to over 180 communities across the United States, Puerto Rico, and Panama. The Smithsonian’s websites reached over 140 million visitors last year, and the collection of digitized records available online reached 8.8 million.

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



View of the Smithsonian Castle. Image from the National Parks Service Historic American Buildings Survey. Image credit: Jack E. Boucher.

Office of the Inspector General

The Inspector General Act of 1978, as amended in 1988, created the Office of the Inspector General (OIG) as an independent entity within the Smithsonian. The OIG reports directly to the Smithsonian Board of Regents and to the Congress.

Office of Audits

The Office of Audits conducts audits of the Smithsonian's programs and operations to improve their efficiency and effectiveness. We are guided by an annual audit plan that identifies high-risk areas for review. The Office of Audits also monitors the external audits of the Smithsonian's financial statements and of the Smithsonian's information security practices.

Office of Investigations

The Office of Investigations pursues allegations of waste, fraud, abuse, gross mismanagement, employee and contractor misconduct, and criminal violations of law that have an impact on the Smithsonian's programs and operations. It refers matters to federal, state, and local prosecutors for action whenever the OIG has reasonable grounds to believe there has been a violation of criminal law. The Office of Investigations also presents to management any administrative misconduct for possible disciplinary action.

Office of Operations

The Office of Operations provides technical and administrative support to the office. It is responsible for OIG administrative matters, such as budgeting, procurement, human resources, information technology, and managing organizational performance.

Counsel

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

Audits

During this semiannual period, we issued three audit reports, completed substantial work on four ongoing audits, and closed 15 recommendations. Our audit work focuses on areas to improve the efficiency and effectiveness of Smithsonian's programs and operations.

Summary of Audit Reports

Below are summaries of the three reports issued this reporting period.

[Smithsonian Needs to Finalize Its Cost-Benefit Analysis to Inform Real Estate Decisions \(A-13-12, July 3, 2014\)](#)

The Smithsonian houses its staff in buildings that it either owns or leases. The objectives of this audit were to evaluate the Smithsonian's short- and long-term plans for managing its leased office portfolio, and also to assess management's strategies for identifying opportunities to reduce costs relating to leased office space.

We found that the Smithsonian has developed and implemented short- and long-term plans to reduce leased office space, as well as long-term plans to synchronize the expiration dates of Washington, D.C. area office leases in anticipation of purchasing office space in 2021. Management has employed some effective strategies for identifying opportunities to reduce its leased space costs. By monitoring its use of leased office spaces, Smithsonian management successfully consolidated some spaces to reduce costs where possible. However, management had not finalized a cost-benefit analysis to support its plans to purchase a building. To present a more informed position to stakeholders regarding the purchase or lease of office space, we recommended that management continue to refine and complete a cost-benefit analysis for use in the decision making process and include this analysis in the Smithsonian's federal budget proposal.

Management concurred with our finding and recommendation and plans to complete its cost-benefit analysis by September 30, 2015.

[Review of the Smithsonian's Information Security Program \(A-13-10, July 9, 2014\)](#)

The Federal Information Security Management Act of 2002 (FISMA) directs the OIG to annually evaluate the information security program of the entity it oversees. The Smithsonian voluntarily complies with FISMA requirements because they are consistent with the organization's strategic goals. For fiscal year 2013, the review focused on the general support system, the Scientific Computing Infrastructure and High Energy Astrophysics systems at the

Smithsonian Astrophysical Observatory, and the National Museum of Natural History Research Collections Information System.

We found that management could strengthen configuration management by timely implementing security patches, improving workstation configuration settings, and deleting obsolete software. In addition, management needs to:

- Strengthen procedures for remote access,
- Improve system backup processes, and
- Ensure that staff is appropriately trained in the areas of incident reporting and security.

Further, we found that Smithsonian Astrophysical Observatory (SAO) management did not fully enforce configuration and account management procedures. We also found that SAO management needed to strengthen its physical access monitoring capabilities and report on continuous monitoring activities. Lastly, various sections of SAO's system security plan for one system were not current, accurate, or complete.

Finally, we found that the National Museum of Natural History (NMNH) management needed to improve account modification procedures for its research collection information system.

We made eight recommendations to improve the Smithsonian's information security program. We made five recommendations to SAO and two recommendations to NMNH to improve their information security practices. These recommendations address improvements needed in eight information security control groups: configuration management; access control; physical and environmental protection; contingency planning; incident response; awareness and training; planning; and security assessment and authorization.

Management concurred with our findings and recommendations and has proposed corrective actions.

[Travel Expenses of the Board of Regents for Fiscal Year 2013 \(A-14-04, August 6, 2014\)](#)

The statute that created the Smithsonian allows each member of the Board of Regents to be reimbursed for necessary travel and other actual expenses to attend Board meetings. In 2007, the Executive Committee of the Board of Regents requested that the OIG conduct audits of the Regents' travel expenses.

We reviewed travel expenses for fiscal year 2013. We determined that the reimbursed travel expenses complied with laws, regulations, and Smithsonian procedures.

Work in Progress

At the end of the period, we had four audits in progress, as described below.

Unliquidated Obligations

We are assessing the effectiveness of Smithsonian's controls over the management of unliquidated obligations, for no-year federal capital funds, to ensure that when obligations no longer represent valid financial liabilities, the funds can be used for other purposes. An unliquidated obligation is an amount of money that has been designated for a specific purpose but has not been disbursed. If the funds are no longer required for the originally intended purpose, they can be deobligated and used for other allowable purposes.

Pan-Institutional Initiatives Addressing Collections Care

With this audit, we are continuing to monitor and assess the Smithsonian's progress towards a pan-institutional approach to collections care. Our objectives are to evaluate the extent to which the Smithsonian has made progress in implementing two key initiatives to improve collections care: (1) collections space planning and (2) digitization of its collections.

Animal Care and Safety at the National Zoological Park

We are assessing the effectiveness of current animal care operations at the National Zoological Park (National Zoo). The National Zoo welcomes up to two million visitors every year and is one of the Smithsonian's most popular tourist destinations. More than 2,000 animals representing 400 species live at the zoo. The care and condition of the zoo animals is of the utmost importance to the public and the Smithsonian. National Zoo staff must work together to support the environmental, nutritional, medical, and behavioral needs of the animals.

Deferred Maintenance

We are determining to what extent the Smithsonian has (1) systematically identified and prioritized deferred maintenance and (2) developed strategies based on best practices to reduce deferred maintenance backlogs. As of fiscal year ended 2014, Smithsonian maintains and operates a museum complex with a current replacement value of approximately \$7 billion. Deferred maintenance is those activities that the Smithsonian could not perform when they should have been or were scheduled to be performed.

Other Audit Activities

Status of Recommendations

Smithsonian management made significant progress in implementing the recommendations from audit reports that we issued during this and prior semiannual reporting periods. As a result, we closed 15 recommendations during the past 6 months.

Table 2: Audit Recommendation Activity, as of September 30, 2014

Status of Recommendations	Numbers
Open at the beginning of the period	31
Issued during the period	<u>16</u>
Subtotal	47
Closed during the period	<u>15</u>
Open at the end of the period	32

Table 3: Reports Issued with Recommendations that Funds Be Put to Better Use

Reports	Number of Reports	Funds to be Put to Better Use
Reports for which no management decision has been made by the commencement of the reporting period	1	\$1,677,108
Reports issued during the reporting period	0	\$0
<i>Subtotal</i>	1	\$1,677,108
Reports for which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management	0	\$0
• Dollar value of recommendations that were not agreed to by management	0	\$0
Reports for which no management decision has been made by the end of the reporting period	1	\$1,677,108
Reports for which no management decision was made within 6 months of issuance	1	\$1,677,108

Note: Funds to be put to better use are from the report, [Administration of the Workers Compensation Program](#), A-07-09, issued March 24, 2009.

We summarize the open recommendations from prior semiannual periods and the target implementation dates in Table 4.

Table 4: Recommendations Made in Previous Semiannual Reporting Periods for which Corrective Actions Are Not Yet Complete

Report Title (Date)	Number of Recommendations	Summary of Recommendations	Target Completion Date
<i>Smithsonian Institution Information Security Program (3/15/2011)</i>	2	The Chief Information Officer (CIO) should (1) update Smithsonian Directive 920 and other related documents to provide clear criteria for designating systems for inclusion in the Smithsonian's FISMA inventory, and (2) implement controls to ensure that all SI-owned laptops/mobile devices that may be used to store sensitive information are secured with an appropriate encryption technology.	8/30/2014
<i>Management Advisory Regarding Portable Computer Encryption (3/4/2013)</i>	3	The Under Secretary for Finance and Administration, in coordination with the other Under Secretaries, should direct Unit IT staff to: (1) determine which laptop computers in their inventory may be used to store sensitive data and, with assistance from OCIO, configure those computers with whole drive encryption; and (2) identify all laptop computers that will not be configured with encryption. (3) The CIO should revise its procedures to assign responsibility to staff with the knowledge and skills to ensure laptop computers are configured with appropriate encryption technology.	6/30/2014
<i>FY 2012 Evaluation of the Smithsonian's Information Security Program (6/3/2013)</i>	4	The CIO should: (1) work with system managers to more quickly test security patches and remediate vulnerabilities identified in the OIG assessment; (2) monitor Smithsonian workstations for unapproved software and timely maintenance of approved software and enforce the policy to maintain products that are approved; (3) implement all US Government Configuration Baseline settings for which there is not an approved deviation; and, (4) ensure that the system managers provide monitoring and account management reports and evidence of audit log reviews to the security program.	11/19/2014

Report Title (Date)	Number of Recommendations	Summary of Recommendations	Target Completion Date
<i>Weaknesses in the Smithsonian Tropical Research Institute's Financial Management Require Prompt Attention</i> (10/29/2013)	6	The Director of Smithsonian Tropical Research Institute should: (1) develop and implement a written succession plan to fill the Director of Advancement and the Director of Finance and Administration positions with full-time Smithsonian employees; (2) post cash transactions, such as receipts and disbursements, to the general ledger by the end of each month; (3) develop and implement written accounts receivable and collection policies and procedures and submit the revised policies to the Office of Finance and Accounting; (4) assign responsibility to review the current accounts receivable and correct the accounts in the point-of-sale system to record the accurate amounts; (5) assign responsibility to reconcile the accounts receivable from the point-of-sale system to its general ledger account monthly and ensure that a managerial review process is established; and (6) assign responsibility to implement an automated method to accurately record the accounts receivable from the subsidiary ledger to the general ledger.	12/31/2014
<i>Management of the Smithsonian's Motor Vehicle Fleet Operations</i> (3/27/2014)	1	The Director of the Office of Facilities Maintenance and Reliability should develop and implement Part 3 – Fleet Cards in accordance with Smithsonian Directive 322.	9/30/2014
<i>Management of the Government Purchase Card Program</i> (3/31/2014)	3	The Director of the Office of Contracting & Personal Property Management should (1) conduct periodic on-site reviews to ensure that approving officials review and sign cardholder transaction logs and credit card statements and based on the results of these reviews, take appropriate corrective action; (2) develop and implement a strategic sourcing program that encompasses all procurement methods; and, develop thresholds for recovering erroneous tax payments, and initiate corrective action when necessary.	12/31/2014

Annual Audit Plan

During this semiannual period, we gathered risk-based information about the Smithsonian's programs and operations. We also sought input from our stakeholders at the Smithsonian and in Congress to develop our annual audit plan for fiscal year 2015. Our annual audit plan communicates our priorities to Smithsonian Institution management, the Board of Regents, and Congress.

Peer Review

Government Auditing Standards require audit organizations to undergo external peer reviews by independent reviewers every three years. On August 13, 2014, the Railroad Retirement Board Office of Inspector General completed our most recent peer review. We received a peer review rating of pass, the highest rating. During this reporting period, our office did not conduct any peer reviews.

Investigations

At the start of the reporting period, we had 31 open complaints and 7 ongoing investigations. During the reporting period, we received 35 complaints, resolved 29 complaints, and completed 4 investigations. At the end of the reporting period, we had 37 open complaints and 9 ongoing investigations.

Below are highlights of investigative actions completed during the period.

Theft of Funds

We previously reported that OIG and FBI agents arrested Parking Management, Incorporated (PMI) employees on charges of stealing visitor parking fees collected at the Smithsonian's Steven F. Udvar-Hazy Center in Chantilly, Virginia. Last year, three PMI employees were sentenced to prison and ordered to pay restitution. Another PMI employee committed suicide prior to entering her plea. A fifth PMI employee pled guilty to one count of Theft of Public Money between \$3,000 and \$30,000 and was sentenced on July 11, 2014 to 4 months of incarceration, 3 years of supervised release, and restitution of \$30,390.

During this reporting period, as a result of forfeiture of assets and seized evidence, the Smithsonian received \$265,970. Additionally, PMI paid \$1.3 million to settle civil claims relating to the embezzlement by the five employees.

Theft from Museum Visitor

We substantiated an allegation that an Office of Protection Services guard stole \$300 from a visitor's purse. The guard was terminated. We also referred the matter for prosecution, but the U. S. Attorney's Office declined to pursue the matter.

Conflict of Interest

We substantiated allegations that a manager manipulated contracts so that work was subcontracted to a company that employed the manager's spouse. The manager resigned during the investigation.

Threat of Reprisal

The OIG substantiated an allegation that an employee made threatening comments and gestures to a coworker in retaliation for disclosing information to the OIG. The employee was terminated.

Fraud Awareness Program

We continue our efforts to reach out to Smithsonian staff and inform them about fraud awareness in Smithsonian programs and operations. During this reporting period, we made fraud awareness presentations to more than 250 new employees during their orientations.

Table 5 contains a statistical summary of our investigative results.

Table 5: Summary of Investigative Activities and Results

Investigations	Amount or Number
Caseload	
Cases pending at beginning of reporting period	7
Cases opened during the reporting period	<u>6</u>
<i>Subtotal</i>	13
Cases closed during the reporting period	<u>4</u>
Cases carried forward	9
Referrals for Prosecution	
Pending at the beginning of the period	3
Accepted during the period	<u>2</u>
Pending at the end of the period	3
Successful Prosecutions	
Convictions	1
Fines	\$100
Probation	3 years
Confinement	4 months
Monetary Restitutions	\$30,390
Forfeiture of assets and seized evidence	\$265,970
Administrative Actions	
Terminations	
Resignations	2
Reprimands or admonishments	
Suspensions	14 days
Collection items recovered	
Civil Remedies	
Civil Recovery	\$1,300,000

Other OIG Activities

Legislative and Regulatory Review

In accordance with the Inspector General Act, we monitored and reviewed legislative and regulatory proposals for their impact on the Smithsonian's programs and operations. For instance, the Counsel to the Inspector General, working with counsels from other Inspector General offices across the federal government, monitored congressional bills and issues relating to the Inspector General community. We also reviewed draft Smithsonian directives that establish policies and procedures affecting the Office of the Inspector General and the Smithsonian's programs and operations.

Other Activities

OIG staff remained actively involved with the Washington Metro Electronic Crimes Task Force, the Metropolitan Area Fraud Task Force, the Association of Certified Fraud Examiners, the Institute of Internal Auditors, the Security Association of Financial Institutions workgroup, the Counsel of Inspectors General on Integrity and Efficiency (CIGIE), the CIGIE CIO Working Group, the TeamMate Federal Users Group, and the Interagency Fraud Risk Data Mining Group.



Smithsonian Institution
Office of the Inspector General
HOTLINE

The Office of the Inspector General 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 Smithsonian's programs and operations.

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If requested, anonymity is assured to the extent permitted by law.

Although you may remain anonymous, we encourage you to provide us with your contact information. The ability to gather additional information from you may be the key to effectively pursuing your allegation.