

OFFICE OF THE INSPECTOR GENERAL



Smithsonian Institution

AUDIT PLAN FISCAL YEAR 2016

INTRODUCTION

I am pleased to present the fiscal year 2016 audit plan, which communicates the Office of the Inspector General's (OIG) priorities to the Smithsonian Institution's Board of Regents, management, and Congress.

Our office seeks to improve the efficiency and effectiveness of Smithsonian operations by conducting independent and objective audits. In developing this plan, we conducted a comprehensive risk assessment and sought input from our stakeholders at the Smithsonian and in Congress.

The audits and related work for fiscal year 2016 fall into four categories:

Ongoing Audits: Audits that were ongoing at the beginning of fiscal year 2016.

Mandatory Audits: Annual audits of the Smithsonian's financial statements, information security program, and the travel expenses for the Board of Regents.

Discretionary Audits: Audits we selected after assessing the key emerging risks facing the Smithsonian and after evaluating the suggested topics from senior management, our congressional oversight committees, and the Board of Regents.

External Peer Review: The Council of the Inspectors General on Integrity and Efficiency requires the Inspectors General to conduct peer reviews of other federal OIGs on a rotating basis.

The list of audits reflects what we can reasonably accomplish with our current resources. This plan is flexible, and we recognize that issues of more immediate concern may arise requiring us to adjust our priorities.

Finally, we are continually working to improve our planning process and welcome suggestions about future work that we should consider. Please direct any questions or suggestions to me or Thomas E. Yatsco, Assistant Inspector General for Audits. We can be reached at (202) 633-7050.



Cathy L. Helm
Inspector General



Smithsonian Institution

ONGOING AND PLANNED AUDIT WORK FOR FISCAL YEAR 2016

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Ongoing Audits

Deferred Maintenance Program

We are determining to what extent the Smithsonian has developed and implemented strategies to manage its deferred maintenance backlog based on leading practices.

Federal Information Security Management Act Audit, Fiscal Year 2014

We serve as the contracting officer's technical representative for the annual Federal Information Security Management Act (FISMA) audit, which is evaluating the Smithsonian's information security program for fiscal year 2014. An independent firm is conducting the audit.

National Zoological Park Animal Care and Safety

We are assessing to what extent National Zoological Park (Zoo) management addressed recommendations to improve animal care operations based on internal and external reviews conducted at the Rock Creek Park campus.

Effectiveness of the Smithsonian's Privacy Program and Practices

We serve as the contracting officer's technical representative for an audit evaluating the effectiveness of the Smithsonian's privacy programs and practices. An independent firm is conducting the audit.

Controls over Purchase Orders

We are assessing the extent to which the Smithsonian's controls over purchase orders are effective in ensuring compliance with policies and procedures in two areas: (1) sole source purchases, and (2) segregation of duties. We are also reviewing compliance with training requirements related to purchase orders, based on our prior work.

Smithsonian Enterprises' Information Security Program

We serve as the contracting officer's technical representative for an audit assessing the extent to which the Smithsonian Enterprises' (SE) information security program and practices are effective and comply with the Payment Card Industry Data Security Standard. An independent firm is conducting the audit.

Financial Statement Audits, Fiscal Year 2015

We serve as the contracting officer's technical representative for the Smithsonian's annual financial statement audits, which include the Smithsonian-wide financial statements, the federal special-purpose financial statements, and the compliance audit of federal awards based on Office of Management and Budget (OMB) Circular A-133. An independent public accounting firm is conducting the audits.

Mandatory Planned Audits

Financial Statement Audits, Fiscal Year 2016

We serve as the contracting officer's technical representative for the Smithsonian's annual financial statement audits, which include the Smithsonian-wide financial statements, the federal special-purpose financial statements, and the compliance audit of federal awards (OMB Circular A-133) audit.

An independent public accounting (IPA) firm will audit the Smithsonian's fiscal year 2016 financial statements. The IPA will perform procedures to include assessing whether the Smithsonian's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The IPA will also report on any matters that are considered to be material weaknesses or significant deficiencies. OIG will review audit documentation, evaluate key judgments, and determine whether the IPA's work conforms to relevant auditing and accounting standards.

Federal Information Security Management Act Audit, Fiscal Year 2015

The fiscal year 2015 FISMA audit will evaluate the Smithsonian's information security program.

Although the Smithsonian is not subject to FISMA, it has elected to implement FISMA requirements to ensure that it has an effective information security program. In accordance with FISMA, OIG performs an independent annual evaluation of the Institution's information security program and practices, including the testing and evaluation of controls to safeguard information and systems. Previous OIG information security audits have highlighted the need for improvements in key areas such as network access controls, security awareness and training, disaster recovery, system documentation, and configuration management. We will contract with an independent firm to conduct the review. OIG serves as the contracting officer's technical representative.

Travel Expenses of the Board of Regents, Fiscal Year 2015

We will audit the travel expenses for those members of the Board of Regents (Board) who seek reimbursement for expenses associated with attending Board meetings in fiscal year 2015 to ensure they are authorized, reasonable, and supported through appropriate documentation.

Under 20 U.S.C. § 44, each member of the Board is allowed to be paid necessary travel and other actual expenses to attend Board meetings, and the law requires an audit of those expenses. The Executive Committee of the Board has requested that OIG conduct this audit to fulfill its statutory requirement.

Discretionary Planned Audits

Employee Background Reviews

We will assess the extent to which the Smithsonian has (1) ensured that new employees have effective pre-employment reviews, (2) conducted periodic background reviews for existing employees, and (3) appropriately adjudicated any risks identified in these reviews.

Smithsonian Directives 212 and 213 establishes policies and procedures for the Smithsonian's personnel security and suitability program. The purpose of this program is to ensure that personnel responsible for the care of the national collections, the safety and security of visitors and employees, information systems, and administration are trustworthy, honest, and reliable. The Office of Personnel Management (OPM) conducts the Smithsonian's background reviews, and information obtained during the reviews is adjudicated by the Personnel Security and ID Office to determine if it negatively impacts an employee's or candidate's suitability for initial or continued employment with the Smithsonian.

A 2006 OIG audit found that the Smithsonian had not properly adjudicated significant suitability issues raised in background investigations. Twenty percent of the employees we sampled had significant suitability issues, such as convictions or arrests for theft, drug use and distribution, or assault and battery.

Smithsonian Astrophysical Observatory's Grants Management

We will assess to what extent the Smithsonian Astrophysical Observatory (SAO) (1) is managing grants in accordance with established policies and procedures and (2) has ensured its policies and procedures conform to leading practices.

SAO is the Smithsonian's largest recipient of grants from outside entities, such as the National Aeronautics and Space Administration and the National Science Foundation. SAO is a research bureau in Cambridge, Massachusetts. Its mission is to advance knowledge of the universe through research in astronomy and astrophysics and in related areas of fundamental physics and geophysics. The SAO Sponsored Programs and Procurement Department (SPPD) coordinates, reviews, and submits all SAO proposals for external funding. SPPD also negotiates, executes, administers, and closes out all incoming contracts, grants, and other awards received by SAO.

In fiscal year 2014, SAO submitted 234 proposals requesting \$1.9 billion of funding and received \$94 million in contract and grant funding. In comparison, the other Smithsonian units collectively received about \$49 million in contract and grant funding. In fiscal year 2014, SAO's expenditures on contracts and grants were \$97 million.

Cash Management Controls at Smithsonian Enterprises

The objective is to determine to what extent Smithsonian Enterprises (SE) has effective internal controls over cash management in three key areas: retail stores, theaters, and parking operations.

SE processes the largest amount of cash transactions for the Smithsonian. In fiscal year 2014, SE's stores and theaters processed approximately \$48 million in cash and credit card transactions, while the parking operations for the National Zoological Park and Steven F. Udvar-Hazy Center had a total of \$6.1 million in revenue. SE operates four theaters, 22 stores, and two parking facilities.

The risk of fraud, waste, and abuse is always present when cash transactions are involved. In the past, some Smithsonian facilities had issues with ensuring that effective cash management controls were in place. We plan to contract with an independent public accounting firm to conduct the audit.

Hiring Practices for Trust Employees

For trust hiring, we will assess to what extent (1) Smithsonian units have complied with existing policies and procedures, (2) existing policies and procedures have any gaps and conform to leading industry practices, and (3) hiring actions have addressed the Smithsonian's human resources goals.

The Smithsonian has approximately 6,000 employees, comprised mainly of federal and trust employees. In fiscal year 2014, the Smithsonian hired 527 employees of which 306 were trust employees. Smithsonian Directive 213 prescribes protocols for the recruitment and hiring of trust employees. Additional guidance was provided in a 1998 memorandum titled "Delegation of Personnel Authorities."

In 2014, the Office of Personnel Management performed an evaluation of the Smithsonian's hiring practices for federal employees. However, this evaluation did not review hiring practices for trust employees.

Competitive positions must be advertised through the Office of Human Resources (OHR). Non-competitive positions are not required to be advertised through OHR channels, although OHR expects that the position must still be advertised through the unit's own methods (e.g., a search firm or an ad). The hiring process for noncompetitive positions is decentralized to individual Smithsonian units. Furthermore, the Smithsonian has human resources goals—such as diversity and equal opportunity—that should be important considerations for any hiring actions.

Smithsonian's Emergency Preparedness and Disaster Recovery Planning

We will determine to what extent (1) the Smithsonian has conducted effective overall emergency preparedness and disaster recovery planning, (2) individual units have adequate Disaster Management Plans in place, and (3) the Office of Protection Services' (OPS) has conducted response testing.

Smithsonian Directive 109 requires a Smithsonian Disaster Management Program Master Plan, which details overall requirements for preparedness and provides for the coordination and direction of the Smithsonian's response to emergencies. The Disaster Management Program addresses three key areas: disaster preparedness, response, and recovery.

Directive 109 also requires each unit and critical office to develop its own disaster management plan. OPS is supposed to monitor units' disaster preparedness. In addition, OPS periodically tests the Smithsonian's emergency response system. Potential incidents can take the form of terrorist or criminal attacks and natural disasters.

External Peer Review

Peer Review of a Federal Office of Inspector General

We are conducting an external peer review to determine whether the Small Business Administration Office of Inspector General's quality control system is suitably designed and operating effectively to provide reasonable assurance that its audits are performed in accordance with *Government Auditing Standards* and its own policies and procedures.

Government Auditing Standards require audit organizations to have an appropriate system of quality control and to undergo external peer reviews at least once every three years. The Council of the Inspectors General on Integrity and Efficiency (CIGIE) administers the peer review program for its members, who perform and receive external peer reviews. The program's overall goal is to ensure that all federal OIGs conduct high quality audits with competence, integrity, objectivity, and independence.

To perform the review, we are using CIGIE's *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.



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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.

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.

Information provided is confidential.