

MINUTES OF THE MARCH 10, 2015, AUDIT AND REVIEW COMMITTEE MEETING

The Audit and Review Committee (“Committee”) of the Board of Regents of the Smithsonian Institution (“Smithsonian”) met on March 10, 2015, in the Smithsonian Castle in Washington, D.C. Participating were Committee Chair Ambassador Barbara Barrett, and Committee members Representative Sam Johnson* and Robert Kogod. Committee member Dr. Shirley Ann Jackson and Special Advisor to the Committee Herb Schulken were unable to participate.

Also present by invitation of the Committee were Acting Secretary Albert Horvath; Chief of Staff to the Secretary Patricia Bartlett; Office of the Regents Writer-Editor Julie Bindelglass (recorder); Director of Finance and Accounting Jean Garvin; Inspector General Cathy Helm; Acting Under Secretary for Finance and Administration John K. Lapiana; General Counsel Judith Leonard; Deputy Chief of Staff to the Regents Rachel Parker; Director of Government Relations Nell Payne; Risk Manager Katherine Tkac; and Chief of Staff to the Regents Porter Wilkinson*.

CALL TO ORDER

Ambassador Barrett called the meeting to order at 1:03 p.m.

APPROVAL OF THE MINUTES OF THE JANUARY 22, 2015, COMMITTEE MEETING

Upon motion duly made and seconded, the draft minutes of the January 22, 2015, Committee meeting were approved with modification.

REPORT OF THE ACTING SECRETARY

Acting Secretary Horvath asked Acting Under Secretary for Finance and Administration John Lapiana to review the new Committee dashboard. Mr. Lapiana explained the dashboard was created to streamline information being presented to the Committee.

Mr. Lapiana discussed the most recent senior executive travel audits, which are conducted on a quarterly basis. He noted that all travel in the first quarter of fiscal year 2015 was appropriate and reasonable and that there was only one instance where Smithsonian travel procedures were not followed. Additionally, he reported that no violations were identified in the second quarter travel-card-use audit.

The Acting Secretary reported that the fiscal year 2014 financial audit was completed in accordance with the revised timeline and that that this year’s timeline will be the standard going forward. Mr. Horvath also assured the Committee that the Smithsonian is working to implement the recommendations found in KPMG’s management letter.

**participated by telephone*

INTERNAL REVENUE SERVICE FORM 990 AUDIT UPDATE

General Counsel Judith Leonard reported that the Smithsonian was notified in November 2014 that it had been selected for an audit by the Internal Revenue Service and explained that the audit was likely triggered by the material diversion of funds, which was reported in the 2012 Form 990.

INSURANCE COVERAGE ANNUAL REVIEW

Risk Manager Katherine Tkac reviewed the Smithsonian's current insurance coverage and the policies' corresponding premiums. She explained that two of the Smithsonian's insurance policies would have increased premiums next year. The directors and officers ("D&O") insurance premium will increase because of additional D&O claims in the general market and property premiums will increase because the Smithsonian decided to extend personal-property coverage to its leased spaces.

INTEGRATED RISK MANAGEMENT UPDATE

The Acting Secretary discussed the Smithsonian's Integrated Risk Management Program ("Program"). He explained that the reviews of the following four areas had been launched in February 2015: international activities, succession management, procurement, and grants management. Acting Secretary Horvath asked for feedback from the Regents on how best to keep the Committee up-to-date on the Program's progress.

The Committee expressed a desire to also conduct a review of information technology risks and asked that a paper be prepared for the full Board of Regents that explains the Smithsonian's efforts to address information technology risks.

INSPECTOR GENERAL'S UPDATE

Inspector General Cathy Helm reported that there are eight audits in progress: (1) Pan-Institutional Initiatives Addressing Collections Care; (2) National Zoological Park Animal Care and Safety; (3) Deferred Maintenance Program; (4) Smithsonian's Information Security Program; (5) Review of Travel Expenses of the Board of Regents; (6) Controls Over Purchase Orders; (7) Financial Statements Audits; and (8) Smithsonian Enterprises Information Security Program.

Ms. Helm reported that there were 27 open recommendations at the beginning of the semi-annual reporting period and 20 at the end of the semi-annual reporting period. The Committee requested that more specific information on open recommendations, such as the area of concern for each recommendation, be provided at future meetings.

EXECUTIVE SESSION

The Committee adjourned its open session at 1:58 p.m. to conduct executive sessions with the Inspector General, the General Counsel, the Acting Chief Financial Officer, and the Acting Secretary, followed by a member-only session. The meeting was adjourned at approximately 2:45 p.m.

Respectfully submitted,

Barbara Barrett, Chair