

**SEMIANNUAL REPORT
TO THE CONGRESS**



**Smithsonian
Institution**

Office of the Inspector General

April 1, 2001 to September 30, 2001

Preface

The tragic events of September 11, 2001, cast a shadow over public and private activities around the world. The safety and security of Smithsonian staff, volunteers, and visitors along with the conservation and preservation of the National collections are among the highest priorities of the Institution. Never has the need to carefully balance access to the collections and their protection been more in evidence. Courageously, Smithsonian staff and volunteers have continued to do their best under difficult circumstances.

Sections 5(a) and 5(b) of the Inspector General Act of 1978, Title 5, United States Code, Appendix 3, require that I report semiannually through the Secretary to the Congress regarding the activities of this office. Information reportable under the Act for the period April 1, 2001, to September 30, 2001, follows.

I have received, and sincerely appreciate, the complete cooperation of the Smithsonian Institution's management and employees. Without it, and, of course, the full support of the Board of Regents and the Congress, the work of this office as an agent of positive change in, and continuous improvement of, the management of Institution programs and operations would be impossible.

Thomas D. Blair
Inspector General

October 31, 2001

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Audits

Section 4 of the Act charges this office with a statutory duty to audit, and otherwise review, Institution programs and operations to ensure that they are economical, efficient, effective, and free of fraud, waste, and abuse. Pursuant to our 5-year strategic and annual plans, we therefore conduct audits of Institution organizations, functions, and activities to assess, among other things, their performance, financial operations, and compliance with applicable laws, regulations, and Institution policies. We also conduct audits to determine the reasonableness of expenditures made under contracts, grants, or other agreements. As required by Section 4(b) of the Act, we conduct all of our audits in accordance with the Government Auditing Standards, issued by the Comptroller General of the United States. Pursuant to Section 5(a)(7) of the Act, summaries of two significant audits follow.

Trust Fund Budget Process

The Smithsonian Institution's Board of Regents requires that Institution management submit a comprehensive budget each year. Soon after his arrival, the Secretary noted that the budget was not comprehensive, and he initiated several steps which made significant improvements in the budgetary process. However, we audited the trust fund budget process and found that the budget was incomplete and oversight by management was inadequate. Therefore, we made three recommendations to the Chief Financial Officer. (1) Develop policies and procedures to ensure that a comprehensive budget is prepared. (2) Submit a comprehensive budget to the Secretary. (3) Establish controls to ensure that funds are spent in accordance with the approved budget. The Chief Financial Officer agreed with our recommendations and provided an acceptable implementation plan.

Financial Management of Traveling Exhibits

In addition to the Smithsonian Institution Traveling Exhibition Service, several museums and components of the Institution develop and circulate traveling exhibits. We audited

the financial management of traveling exhibits and found that, generally, consistent and reliable managerial cost accounting information was not available. Such information is fundamental to any well-managed, cost effective organization. This occurred because the Institution had not implemented cost accounting policies, procedures, or standards. Consequently, we recommended that the Chief Financial Officer develop policies and procedures necessary for Smithsonian organizations to accumulate and report costs regularly, consistently, and reliably. The Chief Financial Officer agreed with our recommendation and provided an acceptable implementation plan.

Audit Reports Issued

Section 5(a)(6) of the Act requires a list of all audit reports issued during the reporting period, including subject matter, and dollar amounts of questioned costs, unsupported costs, and funds to be put to better use. Between April 1, 2001, and September 30, 2001, this office issued four internal and one pre-award contract audit reports. As to each, the information required by Section 5(a)(6) of the Act is listed in Table 1, below.

Table 1: List of Audit Reports Issued

Report Number	Audit Title	Issue Date
Internal Audits:		
A-01-06	Controls Over Small Purchases, National Museum of American History	05/04/01
A-01-07	Controls Over Small Purchases, National Museum of Natural History	07/10/01
A-00-05	Financial Management of Traveling Exhibits	09/26/01
A-01-03	Trust Fund Budget	09/28/01
Contract Audit:		
C-01-02	Pre-award review (\$52,631)	08/02/01

Questioned Costs and Funds to be Put to Better Use

Sections 5(a) (8) and 5(a) (9) of the Act require separate statistical tables for recommendations including dollar values of questioned costs, unsupported costs, or funds to be put to better use. Those Sections also require a statement of management response to such recommendations as of the end of the reporting period. During this reporting period, we identified \$52,631 in funds to be put to better use, which resulted from an audit of a pre-award contract proposal. We identified no questioned or unsupported costs. Table 2 sets forth information on funds to be put to better use as of September 30, 2001.

Table 2: Funds to Be Put To Better Use

Reports	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	3	\$438,590
B. Which were issued during the reporting period	1	\$ 52,631
Subtotal (A + B)	4	\$491,221
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management	1	\$11,052
(ii) dollar value of recommendations that were not agreed to by management	0	\$ 0
Subtotal (i + ii)	1	\$11,052
D. For which no management decision has been made by the end of the reporting period	3	\$480,169
For which no management decision was made within six months of issuance	2	\$427,538

Corrective Actions Not Yet Complete

Section 5(a) (3) of the Act requires an identification of each significant recommendation for corrective action, described in a previous semiannual report, which has not yet been implemented. Table 3, on page 4, sets forth that information.

Table 3: Corrective Actions Not Yet Complete

Audit Title and Date	Summary of Recommendations	Savings Estimate
Center for Folklife and Cultural Heritage, June 13, 1997	The Director of the Center for Folklife and Cultural Heritage should develop and use financial management reports that are adequate to manage Folkways and Smithsonian Folkways operations.	None
Accounts Payable System, March 30, 1998	The Comptroller should ensure that the Institution's payments for goods and services are valid, properly supported, and timely. [ten recommendations]	None
Collections Management at the Anacostia Museum, May 18, 1998	The Director of the Anacostia Museum should strengthen controls over accessions, outgoing loans, collection records, and storage facilities. [four recommendations]	None
Smithsonian Financial System, July 13, 1999	The Comptroller should ascertain user requirements for financial management information and, when cost effective, meet those needs. [two recommendations]	None
Smithsonian Magazine and Air&Space Magazine, March 31, 2001	The Publisher should determine whether Institution purchasing policies apply to the magazines and follow whatever policies are deemed to apply.	None

Investigations

Pursuant to Sections 4 and 6 of the Act, this office investigates possible violations of criminal or civil laws, administrative regulations, and Institution policies that relate to the programs and operations of the Institution. When warranted, we refer the results of such investigations to entities with appropriate enforcement jurisdiction. A summary of a significant investigation concluded during this reporting period is presented below.

Credit Card Fraud

A reservations coordinator and facilitator for The Smithsonian Associates, a unit of the Smithsonian that provides educational programs and tours, issued fraudulent refunds to her own personal credit/debit card accounts. Our investigation identified 19 such instances totaling \$24,572. The employee pled guilty to violating one felony count of Theft of Government Property (18 U.S.C. 641). Her sentence included, among other things, \$24,572 in restitution, 6 months home detention, and 5 years supervised probation.

Matters Referred for Prosecution and Results

Section 5(a)(4) of the Act requires a statistical summary of investigative matters referred for criminal prosecution and the results of such referrals. Table 4, on page 6 sets forth that information.

Table 4: Summary of Investigations

Investigations	Amount or Number
Caseload	
Cases pending at beginning of reporting period	25
Cases opened during the reporting period	14
Subtotal	39
Cases closed during the reporting period	10
Cases carried forward	29
Referrals for Prosecution	
Pending at the beginning of the period	3
Referred for prosecution	6
Pending at end of period	8*
Successful Prosecutions	
Convictions	1
Fines	\$0
Ordered restitution	\$24,572
Probation	5 years
Confinement	6 months
Civil Recoveries	\$0
Administrative Remedies	
Terminations	2
Resignations	6
Reprimands or admonishments	0
Reassignments	0
Demotions	0
Suspensions	2
Recovery of funds through investigative action	\$12,983
Collections property recovered:	
Number of items	0
Value of items	\$0
Monetary loss prevented	\$0

*One case was prosecuted.

Legislative Review

Section 4(a)(2) of the Act requires this office to review existing and proposed legislation and regulations and to make recommendations in our semiannual reports regarding their impact on the economy and efficiency of, and the detection and prevention of fraud, waste, and abuse in, Institution programs and operations. During this reporting period, we conducted several such reviews, including some through the participation of the Deputy Inspector General and Counsel to the Inspector General in the Council of Counsels to the Inspectors General, and the Inspector General's service as a member of the Executive Council on Integrity and Efficiency. None of the reviews have, however, yielded a recommendation which is sufficiently important to warrant reporting here.

Profiles of the Smithsonian Institution and the Office of the Inspector General

The Institution estimates that nearly 34 million visits to its museums, galleries, and the National Zoological Park occurred in fiscal year 2001. Selected additional statistical information about the Institution is presented below.

Facilities and collections

- ◆ 16 museums and galleries, plus the National Zoological Park
- ◆ 9 research facilities
- ◆ 142 million works of art, historical artifacts, and scientific specimens

Operating resources

- ◆ \$617 million in total for fiscal year 2002
 - \$390 million in direct federal appropriations
 - \$227 million in trust funds
- ◆ 6,489 employees as of September 22, 2001
 - 4,138 federal employees
 - 2,351 trust employees
- ◆ 5,799 volunteers provided 449,470 hours of service during fiscal year 2000

Selected statistical information about the Office of the Inspector General is presented below.

Resources

- ◆ \$1.8 million total budget for fiscal year 2001
 - \$1.4 million in federal funds
 - \$0.4 million in trust funds
- ◆ 16 employees as of September 30, 2001
 - 12 federal employees
 - 4 trust employees

Glossary

Disallowed cost - A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Institution.

Final action - The completion of all management actions, that are described in a management decision, with respect to audit findings and recommendations.

Funds to be put to better use - A recommendation that funds could be used more efficiently if management took actions to implement and complete the recommendation.

Questioned costs - A cost which was questioned because of an alleged violation of a provision of a law, regulation, contract, or other agreement or document governing the expenditure of funds; a cost which was not supported by adequate documentation; or an unnecessary or unreasonable expenditure of funds.

Unsupported cost - A cost questioned because the cost was not supported by adequate documentation at the time of the audit.

Office of the Inspector General
Smithsonian Institution
Washington, DC 20560-0905

Telephone number: (202) 275-2244

Hot line telephone number: (202) 275-1671