

## **MINUTES OF THE JULY 20, 2016, AUDIT AND REVIEW COMMITTEE MEETING**

The Audit and Review Committee (“Committee”) of the Board of Regents of the Smithsonian Institution (“Smithsonian”) held a meeting on July 20, 2016, at the Smithsonian Castle in Washington, DC. Participating were Committee Chair Ambassador Barbara Barrett and Committee members Representative Sam Johnson;\* Board Vice Chair Dr. Shirley Ann Jackson;\* Robert P. Kogod;\* and Dr. Risa J. Lavizzo-Mourey.\* Committee member Senator David Perdue was unable to attend the meeting.

Also present by invitation of the Committee were Secretary David Skorton; Chief of Staff to the Secretary Greg Bettwy; Associate General Counsel Laura Damerville; Office of the Regents Senior Researcher & Writer Jennifer Ehlinger (recorder); Director of Finance and Accounting Jean Garvin; Inspector General Cathy Helm; Under Secretary for Finance & Administration/Chief Financial Officer Albert Horvath; General Counsel Judith Leonard; Tax Accountant for the Office of Finance & Accounting Shelley Mitek; Assistant Inspector General for Audits Joan Mockeridge; Deputy Chief of Staff to the Regents Rachel Parker; Director of Government Relations Nell Payne; Office of Finance and Accounting Risk Manager Katherine Tkac; and Chief of Staff to the Regents Porter Wilkinson.

Also in attendance were Wendy Lewis, and Rosemary Meyer who represented the Smithsonian’s external auditors, KPMG, LLP (“KPMG”).

### **CALL TO ORDER**

Ambassador Barrett called the meeting to order at 10:01 a.m.

### **APPROVAL OF THE JANUARY 21, 2016, COMMITTEE MEETING MINUTES**

Upon duly made and seconded, the draft minutes of the January 21, 2016, meeting were approved without modification.

### **REVIEW OF FY 2015 IRS FORMS 990/990-T**

Under Secretary for Finance and Administration and Chief Financial Officer Albert Horvath and Director for Finance and Accounting Jean Garvin provided an overview of the fiscal year 2015 Internal Revenue Service (“IRS”) Forms 990 and 990-T, which must be filed on an annual basis. The required disclosures include financial and organizational information and policies, compensation data for officers and highly compensated employees, and other information of specific interest to the IRS. Both forms were prepared by staff and subject to reviews by the Chief Financial Officer and the Smithsonian’s external auditor, KPMG. The Form 990 is a public document and is posted on the Smithsonian’s website once it is filed with the IRS.

The Committee discussed the draft and a motion to affirm the submission of the Form 990 and 990-T was duly made, seconded, and approved:

*\*Participated by telephone*

**VOTED** that the Audit and Review Committee affirms the Smithsonian’s proposed submission of its fiscal year 2015 Form 990 and Form 990-T to the Internal Revenue Service.

## **INTEGRATED RISK MANAGEMENT AND MITIGATION PROGRAM**

Mr. Horvath updated the Committee on the status of the Integrated Risk Management Program (“Program”). The Program, which began in 2014, identifies and tracks the top 25 risks to the Smithsonian in order to build a more risk-informed culture of decision-making. An outside consulting firm was selected, through a competitive process, to assess the effectiveness of the Program. The firm began its assessment in November 2015 and provided a final report, summarizing its findings, for the Committee to review.

The firm’s overall conclusion is that the Smithsonian’s risk approach is maturing at a reasonable pace. The report provided some recommendations intended to help move the program toward integration into the organization’s overall approach. Recommendations include the implementation of risk actions, staffing the Program sufficiently in order to achieve program objectives, elevating awareness and knowledge of the Program across the Smithsonian, and completion of a rollout for employee training and development of an internal website for the Program.

Management will assess the applicability of the firm’s recommendations and take appropriate action to prioritize and implement those recommendations that have the most near-term impact.

## **INSURANCE COVERAGE ANNUAL REVIEW**

The Committee reviewed the status of the insurance coverages that are carried by the Smithsonian. Office of Finance and Accounting Risk Manager Katherine Tkac provided the Committee with an overview of the Smithsonian’s insurance coverage and the policies’ corresponding premiums.

## **REVIEW OF KPMG FY 2016 AUDIT PLAN & FY 2015 A-133 AUDIT RESULTS**

KPMG partners Wendy Lewis and Rosemary Meyer reviewed KPMG’s audit plan for fiscal year 2016, as well as the results from the recently completed A-133 audit for fiscal year 2015.

Ms. Meyer provided an overview of fiscal year 2016 audit plan, including an identification of potential risk areas and the manner in which those areas would be addressed. No significant changes from prior year audit plans were noted.

Ms. Lewis reported on the results from the fiscal year 2015 A-133 audit and noted one reportable finding regarding internal control over compliance from its audit of the Research and

Development Program. The audit is required by the federal government for grantees receiving more than \$500,000 in federal grant funding.

## **INSPECTOR GENERAL REPORT**

Inspector General Cathy Helm updated the Committee on the activities of the Office of the Inspector General (“OIG”). Ms. Helm introduced the Committee to a new member of the Office of the Inspector General: Assistant Inspector General for Audits Joan Mockeridge.

Ms. Helm reported that between the January 2016 and July 2016 meetings, eight audits were completed, one audit was closed, and six audits are in progress. As of June 30, 2016, the Smithsonian’s two most important open recommendations relate to information security. Smithsonian management plans to address the open recommendations related to information security by working to strengthen password requirements, disable any insecure communication protocols, encrypt mobile media, and replace or update servers with unsupported operating systems.

## **REVIEW OF COMMITTEE PROCESSES AND ACTIVITIES**

Next, Mr. Horvath presented a tracking report of the Committee’s processes and activities to-date. At each Committee meeting, Smithsonian management presents this report to assist the Committee in focusing on the responsibilities assigned to it by the full Board of Regents; streamline the information being presented; and report on the progress for key substantive and performance metrics. Mr. Horvath noted that the results from the Smithsonian’s annual review of financial disclosure and conflict of interest would be reported on by the General Counsel at the Committee’s next scheduled meeting.

## **EXECUTIVE SESSION**

The Committee adjourned its open session at approximately 11:14 a.m. to conduct executive sessions with KPMG, the Inspector General, the General Counsel, the Chief Financial Officer, and the Secretary, followed by a member-only session.

## **ADJOURNMENT**

There being no further business to discuss, the meeting was adjourned at approximately 11:35 a.m.

Respectfully submitted,

Ambassador Barbara Barrett, Chair