

MINUTES OF THE MAY 20, 2014, AUDIT AND REVIEW COMMITTEE MEETING

The Audit and Review Committee (“the Committee”) of the Board of Regents of the Smithsonian Institution met on May 20, 2014. Participating were Committee Chair Robert Kogod and Committee members Representative Sam Johnson*, Barbara Barrett*, and Shirley Ann Jackson*. Committee member Senator Jack Reed and Special Advisor to the Committee Herb Schulken were unable to participate.

Participating staff included Secretary G. Wayne Clough; Acting Inspector General Epin Christensen; Office of the Regents Senior Writer-Editor Barbara Feininger (recorder); Director of Finance and Accounting Jean Garvin; Assistant to Representative Johnson Dave Heil; Under Secretary for Finance and Administration and Chief Financial Officer Albert Horvath; Assistant to Senator Reed Moira Lenehan*; General Counsel Judith Leonard; Office of the Treasurer Risk Manager Katherine Tkac; Chief of Staff to the Regents Porter N. Wilkinson; and Special Advisor to the Under Secretary for Finance and Administration Andy Zino. Also in attendance were Jerry Carlson, Ellen Harrison, and Rennie Henry, who represented the Smithsonian’s external auditors, KPMG, LLP (“KPMG”), and consultant Michael J. Barone of Barone & Associates, LLC.

CALL TO ORDER

Committee Chair Robert Kogod called the meeting to order at 2:02 p.m.

APPROVAL OF THE MINUTES OF THE FEBRUARY 18, 2014, COMMITTEE MEETING

Upon motion duly made and seconded, the draft minutes of the February 18, 2014, Committee meeting were approved without modification.

UPDATE ON INSURANCE COVERAGE

Office of the Treasurer Risk Manager Katherine Tkac presented the annual update on the scope and status of the Smithsonian’s insurance program. The Federal government is the primary provider of the Smithsonian’s insurance. Additional coverage is obtained to address areas/activities not covered by the Federal government. Coverages were reviewed and were noted as consistent with those in place in the prior year with no significant changes.

INTEGRATED RISK MANAGEMENT UPDATE

The integrated risk management (IRM) update included discussion of the background, progress, findings, process, and plans of the Smithsonian’s IRM program since the Committee’s review in October 2013. Consulting firm Barone & Associates, LLC, has contributed to the Smithsonian’s development of this new IRM program. The goal of the IRM project is to develop and implement a flexible framework for identifying, prioritizing, and managing a broad spectrum of potential risks facing the Smithsonian, and to create a more proactive, risk-aware culture at the Smithsonian. The project expands the scope of the Smithsonian’s IRM from financial and

* *participated by telephone*

business controls to assessing, understanding, and evaluating all types of potential risks that are presented in the Smithsonian's daily operations.

The development of the IRM program included some 70 interviews with Smithsonian stakeholders to identify risks across the Smithsonian. Information collected was summarized into a list of 64 issues for further study. The Committee requested that updates on the process be provided at future meetings.

REVIEW OF KPMG'S FISCAL YEAR 2013 MANAGEMENT LETTER

KPMG Audit Partner Ellen Harrison presented KPMG's final management letter for the fiscal year ending September 30, 2013. No material weaknesses were identified and no significant deficiencies were reported. Management has committed to addressing open items prior to the coming year's audit.

POLICY ON MINORS

General Counsel Judith Leonard updated the Committee on the draft proposed minors policy for the Smithsonian. The proposed policy has three parts: one is applicable to all staff; the second applies to staff who work with minors; and the third includes training requirements, registration and release forms, and other materials needed by managers of programs for children. The Secretary has agreed to immediately adopt the Code of Conduct and the Office of the General Counsel (OGC) is working with the Office of Protective Services to implement the background check requirements in short order. The draft policy will be presented to the Board of Regents for information purposes at the June 2014 Board meeting.

ACTING INSPECTOR GENERAL'S UPDATE

Acting Inspector General Epin Christensen presented updates on reports issued by the Office of the Inspector General (OIG) since the February 2014 meeting of the Committee. She also summarized ongoing OIG initiatives and planned audit activities. Completed reports on the management of the Smithsonian's motor vehicle fleet operations and the government purchase card program were reviewed. Both reports were positive: no fraudulent activities or misconduct were identified and minor recommendations were made with regard to internal controls and/or policies. Ms. Christensen said the two programs demonstrate effective management oversight. Ms. Christensen also reported that the resolution of OIG audit recommendations demonstrate steady progress, pacing, and accelerated closing rates in the Smithsonian's audits.

Ms. Christensen alerted the Committee to draft legislation that would directly impact the Smithsonian's OIG, expanding its oversight to four entities that currently do not have an OIG, including the National Gallery of Art, the Kennedy Center, the Woodrow Wilson Center, and the Institute of Museum and Library Services. The OIG is working with the Smithsonian's Office of Government Relations to monitor further developments.

EXECUTIVE SESSIONS

The Committee adjourned its open session at 3:05 p.m. to conduct executive sessions with KPMG, the Acting Inspector General, the General Counsel, and the Under Secretary for Finance and Administration and Chief Financial Officer, after which a member-only session was held. The meeting was adjourned at approximately 4:15 p.m.

Respectfully submitted,

Robert Kogod
Chair