Introduction

This fiscal year 2015 audit plan communicates the Office of the Inspector General’s (OIG) priorities to the Smithsonian Institution management, the Board of Regents, and Congress.

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

The audits and related work for fiscal year 2015 fall into four categories:

**Ongoing Audits:** Audits that were ongoing at the beginning of fiscal year 2015.

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

**Discretionary Audits:** Audits we selected after considering the key ongoing and 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 schedules the Inspector Generals to conduct peer reviews of other federal OIGs on a rotating basis.

The list of audits on the following pages 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.

In addition, 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 Joan Mockeridge, Acting Assistant Inspector General for Audits. We can be reached at 202.633.7050.

Cathy L. Helm
Inspector General

Fiscal Year 2015 Audit Plan
Planned Audit Work for Fiscal Year 2015

**Ongoing Audits** ................................................................. 1

- Pan-Institutional Initiatives Addressing Collections Care .................. 1
- Unliquidated Obligations ................................................................ 2
- National Zoological Park Animal Care and Safety ............................ 3
- Fiscal Year 2014 Financial Statement Audits ................................. 4
- Fiscal Year 2014 Federal Information Security Management Act Program Evaluation ................................................................. 5
- Smithsonian’s Deferred Maintenance Program .............................. 6

**Mandatory Audits** ..................................................................... 7

- Travel Expenses of the Board of Regents ....................................... 7
- Fiscal Year 2015 Financial Statement Audits .................................... 8
- Fiscal Year 2015 Federal Information Security Management Act Program Evaluation ................................................................. 9

**Discretionary Audits** ............................................................... 10

- Smithsonian Enterprises’ Information Security Program ................. 10
- Controls over Purchase Orders ..................................................... 11
- Office of Sponsored Projects’ Grant and Contract Operations .......... 12
- Smithsonian Enterprises’ Cash Management Operations ............. 13
- Smithsonian Astrophysical Observatory’s Financial Operations .... 14
- Background Checks for Employees and Nonemployees ................. 15

**External Peer Review** ............................................................ 16

- Peer Review of a Federal Office of the Inspector General ............ 16
Ongoing Audits

Pan-Institutional Initiatives Addressing Collections Care

Objective

We are evaluating the extent to which the Smithsonian has made progress in implementing two key initiatives to improve collections care: (1) collections space planning and (2) digitization of its collections.

Background

This review continues our monitoring and assessment of the Smithsonian’s progress towards a pan-institutional approach to collections management challenges for inventory control and preservation care. Our prior audit work identified a pattern of issues regarding the care of museum collections, such as: inadequate inventory controls, inadequate security of collections areas, lack of comprehensive programs to preserve collections, and inadequate storage conditions. In response to these audits, Smithsonian management began to place greater emphasis on collections care including improved security in collections storage areas.

To address pan-institutional collections management issues, management has developed new strategic initiatives for collections space planning and digitization. The Smithsonian has developed a comprehensive collections space plan to improve collection storage space conditions. In addition, Smithsonian management has begun to take steps to meet its strategic priority to digitize its collections in order to strengthen collections care and broaden access to its collections.
Unliquidated Obligations

Objective

We are assessing the extent to which the Smithsonian has effective controls over the management of unliquidated obligations to ensure that when obligations no longer represent valid financial liabilities, the funds can be used for other purposes.

Background

As of May 2014, the Smithsonian had unliquidated obligations of $142 million for federally funded capital facilities projects. As bills are received and payments are made against the contracts, the recorded obligation is reduced by the amount of the payments made. When all services or goods have been received and paid, the obligation is considered “liquidated,” and any remaining amount of funds, or “unliquidated obligations,” should be deobligated and reduced to zero. The deobligated funds can then be applied to other active contracts.
National Zoological Park Animal Care and Safety

Objective

We are assessing the extent to which Smithsonian management has effective controls over animal care operations at the National Zoological Park (National Zoo).

Background

The National Zoo welcomes up to two million visitors every year and is one of the Smithsonian's most popular tourist destinations. It is open to the public 364 days a year. More than 2,000 animals representing 400 species live at the zoo. The care and condition of the zoo animals is of the utmost importance to the public and the reputation of the Smithsonian. Zoo staff must work together to support the environmental, nutritional, medical, and behavioral needs of the animals.
Fiscal Year 2014 Financial Statement Audits

Objective

As the contracting officer’s technical representative, we are overseeing 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.

Background

The Institution’s fiscal year 2014 financial statements will be audited by an independent public accountant (IPA).

We will review audit documentation, evaluate key judgments, and determine whether the IPA’s work conforms to relevant auditing and accounting standards. We will use the Financial Audit Manual promulgated jointly by the Government Accountability Office and the President’s Council on Integrity and Efficiency as well as additional guidance developed by the Council of the Inspectors General on Integrity and Efficiency for our monitoring efforts.
Fiscal Year 2014 Federal Information Security Management Act Program Evaluation

Objective

As the contracting officer’s technical representative, we are overseeing the Smithsonian’s annual Federal Information Security Management Act (FISMA) evaluation of its information security program.

Background

The Smithsonian depends on computerized information systems and electronic data to carry out its programs. Security measures are essential to prevent data tampering and destruction, service disruptions in critical operations, unauthorized disclosure of sensitive information, and fraud.

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, the 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 identified significant weaknesses in information systems and highlighted the need for improvements in network access controls, security awareness and training, disaster recovery, system documentation, flaw remediation, and configuration management. An IPA will conduct the FISMA evaluation.
Smithsonian’s Deferred Maintenance Program

Objective

We are determining to what extent the Smithsonian has (1) systematically identified and prioritized deferred maintenance and (2) developed strategies based on best practices to reduce deferred maintenance backlogs.

Background

Smithsonian maintains and operates a museum complex with a current replacement value of approximately $7 billion, as of September 30, 2014. Deferred maintenance is those activities that the Smithsonian could not perform when they should have been or were scheduled to be performed. As of September 30, 2014, the Smithsonian estimated its deferred maintenance to be approximately $785 million. For fiscal year 2014, the Smithsonian received $69 million in federal appropriations for maintenance activities and used a small portion of these funds for its deferred maintenance backlog.
Mandatory Audits

Travel Expenses of the Board of Regents

Objective

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 2014.

Background

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 this audit to fulfill its statutory requirement. Specifically, we will assess whether the travel expenses are authorized, supported, and reasonable.
Fiscal Year 2015 Financial Statement Audits

Objective

As the contracting officer’s technical representative, we oversee 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 (Office of Management and Budget (OMB) Circular A-133) audit.

Background

The fiscal year 2015 financial statements will be audited by an IPA.

We will review audit documentation, evaluate key judgments, and monitor progress to determine whether the IPA’s work conforms to relevant auditing and accounting standards. We will use the Financial Audit Manual promulgated jointly by the Government Accountability Office and the President’s Council on Integrity and Efficiency as well as additional guidance developed by the Council of the Inspectors General on Integrity and Efficiency for our monitoring efforts.
Fiscal Year 2015 Federal Information Security Management Act Program Evaluation

Objective

As the contracting officer’s technical representative, we oversee the Smithsonian’s fiscal year 2015 FISMA evaluation of its information security program.

Background

The Smithsonian depends on computerized information systems and electronic data to carry out its programs. Security measures are essential to prevent data tampering and destruction, service disruptions in critical operations, unauthorized disclosure of sensitive information, and fraud.

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, the 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 identified significant weaknesses in information systems and highlighted the need for improvements in network access controls, security awareness and training, disaster recovery, system documentation, flaw remediation, and configuration management. An IPA will conduct the FISMA evaluation.
Discretionary Audits

Smithsonian Enterprises’ Information Security Program

Objective

We will assess the extent to which the Smithsonian Enterprises’ information security program and practices are effective and comply with the Payment Card Industry Data Security Standard.

Background

Smithsonian Enterprises is the revenue-producing organization at the Smithsonian and has three primary business divisions: media, retail, and consumer and education products. It operates with substantial independence from the Smithsonian Institution. In addition, the Smithsonian has not included the Smithsonian Enterprises’ information security program in the scope of its FISMA program because it does not use federal funds.

Because Smithsonian Enterprises accepts payment cards (credit and debit), it is required to comply with the Payment Card Industry Data Security Standard. A major breach could impact Smithsonian Enterprises’ operations and subject the Smithsonian to financial penalties that could range from $5,000 to $100,000.
Controls over Purchase Orders

Objective

We will assess the extent to which the Smithsonian’s controls over purchase orders are effective in ensuring compliance with its procurement policies and procedures, such as segregation of duties and sole-source purchases.

Background

Purchase orders are the most commonly used method of purchasing items and services at the Smithsonian. In recent years, about 60 percent of the Smithsonian’s acquisitions were made using purchase orders. Purchase orders are used to procure items or services not exceeding the simplified acquisition thresholds. For most Smithsonian units, the simplified acquisition threshold is $100,000 for non-commercial items or services. The threshold is $5 million for commercial items or services and for items or services purchased using General Services Administration’s Federal Supply Schedule.

The purchase order process at the Smithsonian is decentralized. Certain employees in each Smithsonian unit are delegated the authority to purchase items or services up to their purchasing authority. Purchase orders exceeding the employees’ purchasing authority must be reviewed and approved by the Office of Contracting and Personal Property Management.
Objective

We will assess the extent to which the Office of Sponsored Projects’ (OSP) has effective controls over the grant and contract processes. We also will review whether Smithsonian grants and contracts have recouped the appropriate indirect costs.

Background

OSP assists Smithsonian units to obtain external funding (grants and contracts) from government and private sources in support of research, exhibitions, and other mission-related projects. OSP assists units in all phases of the process, including application, budgeting, and compliance with grant and contract terms. In fiscal year 2013, the Smithsonian (excluding the Smithsonian Astrophysical Observatory, which manages its grants and contracts separately) received 282 awards totaling approximately $48.5 million.

OSP is funded through the recovery of indirect costs from grants and contracts. According to Smithsonian management, cost recovery efforts in recent years have averaged about $600,000 less than OSP’s actual expenses.

Fiscal Year 2015 Audit Plan
Smithsonian Enterprises’ Cash Management Operations

Objective

We will assess to what extent Smithsonian Enterprises has effective controls over cash management operations at its stores and theaters.

Background

In all businesses, cash is a high-risk asset and vulnerable to fraud. Smithsonian Enterprises is the revenue-producing organization at the Smithsonian and has three primary business divisions: media, retail, and consumer and education products. In fiscal year 2013, Smithsonian Enterprises handled approximately $21.7 million in cash for its stores and theaters.
Smithsonian Astrophysical Observatory’s Financial Operations

Objective

We will determine to what extent the Smithsonian Astrophysical Observatory’s (SAO) financial operations—specifically cash handling and accounts receivable—comply with Smithsonian financial management policies.

Background

SAO is a research bureau of the Smithsonian with headquarters in Cambridge, Massachusetts. It also has staff located in Arizona and Hawaii. Its mission is to advance knowledge of the universe through research in astronomy and astrophysics and in related areas of fundamental physics and geophysics. In fiscal year 2014, SAO employed more than 450 full-time staff and received more than $120 million in government grants, contracts, donations, and federal appropriations.
Background Checks for Employees and Nonemployees

Objective

We will assess the extent to which the Smithsonian has taken steps to ensure that employees and nonemployees have prescreening employment checks and periodic background checks. In addition, we will evaluate the extent that these checks are properly documented and identified issues are addressed in a timely manner.

Background

Smithsonian Directive 212, *Federal Personnel Handbook*, Chapter 731 *Personnel Security Program*, requires that all persons appointed to positions are and remain suitable for employment with the Smithsonian. This directive 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 control, and administration are trustworthy, honest, and reliable. This program ensures that all persons appointed to positions are and remain suitable for employment with the Smithsonian.

In 2006, the OIG conducted an audit, “Employee and Contractor Screening Measures,” focusing on background investigations. This audit led to 18 background screening investigation recommendations and identified that significant suitability issues raised in background investigations were not properly adjudicated. 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.
External Peer Review

Peer Review of a Federal Office of Inspector General

Objective

We will conduct an external peer review to determine whether another federal OIG’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 their own office’s policies and procedures.

Background

Government Auditing Standards require audit organizations to have an appropriate system of quality control and to undergo external peer reviews at least once every 3 years. The Council of Inspectors General on Integrity and Efficiency administers a 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 that are members conduct high quality audits with competence, integrity, objectivity, and independence.