



Smithsonian Institution

Office of the Inspector General

Date November 15, 2013

To Dr. France Córdova, Chair, Board of Regents
John McCarter, Vice-Chair, Board of Regents
G. Wayne Clough, Secretary

Cc Albert Horvath, Under Secretary for Finance and Administration and
Chief Financial Officer
John Lapiana, Chief of Staff to the Board of Regents
Patricia Bartlett, Chief of Staff, Office of the Secretary

From Epin Christensen, Acting Inspector General

Subject Top Management Challenges Report for 2013

The attached report is the Office of the Inspector General's (OIG) 2013 list of top management and performance challenges facing the Smithsonian Institution. While the Smithsonian is not statutorily required to provide this report, it provides valuable insight for our stakeholders.

The Smithsonian's top management challenges are:

- Federal Budget and Sequestration
- Safety and Security of Staff and Visiting Public
- Collections Stewardship
- Construction Management
- Information Security

In the report, we describe each challenge based on the work we have already done that has revealed risk to the Smithsonian's mission. In addition, we canvassed Smithsonian leadership and other stakeholders to identify their concerns. We also summarized management's progress in addressing these challenge areas and what we plan to do in the next fiscal year relating to the challenges.

A few general themes run through most of the challenges. For example, severe budget constraints have an impact on management's ability to address each of the challenges.

We are encouraged by the continued efforts of management to make progress on these challenges and to improve the Smithsonian. We greatly appreciate the emphasis that the Audit and Review Committee has placed on making these challenges a priority.

If you have any questions, please contact me at (202) 633-7050.



Smithsonian
Institution

Top Management and Performance Challenges for Fiscal Year 2013

Office of the Inspector General

November 15, 2013

The Smithsonian Institution's Office of the Inspector General has identified the following top management and performance challenges faced by the Smithsonian in 2013.

CHALLENGE: FEDERAL BUDGET AND SEQUESTRATION

Budget challenges have been felt across the Smithsonian and the federal government because of sequestration—broad, automatic, across-the-board cuts to most categories of federal spending. In fiscal year (FY) 2013, Smithsonian management took steps to reduce the impact of these cuts. The Secretary established a cost-savings initiative by asking staff for their ideas on how the Smithsonian could save money. The Smithsonian imposed several cost saving measures including a hiring freeze; choosing not to fill vacant positions; reducing funding for research, education, and outreach; and cutting staff travel and training.

According to the Secretary's testimony on Sequestration Planning and Implementation to the Committee on Oversight and Government Reform on April 16, 2013, the Smithsonian was able to temporarily absorb the sequestration reductions with minimal adverse impact on its mission and operations.

However, the Secretary noted that if sequestration continues, the Smithsonian would need to implement additional reductions that will adversely affect the visitor experience. For example, the Smithsonian would need to close galleries and open fewer new exhibitions due to reductions in security and collections management resources. Likewise, the Smithsonian would need to make reductions in their online offerings, such as educational materials provided to teachers nationwide.

The Secretary concluded that continuing budget cuts in future years will result in reductions that are more significant—and potentially damaging to the day-to-day operations of Smithsonian facilities. For example, planned maintenance projects, including those at the Air and Space Museum and the National Zoo, will be deferred. Deferring these projects may cause building systems to fail, requiring the replacement of systems at a much higher cost. In addition, failure of environmental controls systems in areas where collections are stored or displayed may damage collections.

Moreover, interruptions to funding the project to build the Smithsonian's newest museum for African American History and Culture could lead to increased costs and a delayed opening.

In addition, collections care would be negatively affected, as reduced funding in this area would erode the progress the Smithsonian recently made in its Institution-wide collections care efforts. Likewise, advances in scientific and scholarly research may be impeded as the Smithsonian extends the equipment replacement cycle.

To address budget concerns, the Secretary announced that the Smithsonian will exercise its authority to offer eligible Federal employees a voluntary separation incentive payment (buyout). Coupled with the buyout, the Smithsonian received approval from the Office of Personnel Management to offer early retirement to Federal workers.

Taking into consideration the strain that budget shortfalls will have on Smithsonian operations, we plan to conduct audits in the next fiscal year that may identify cost savings and more efficient uses of limited resources:

- Unliquidated Obligations—We will look to identify improvements to fund controls to ensure that obligated funds are either properly expended or deobligated so that the funds could be put to better use.
- Management of Overtime Pay—We will determine whether the Smithsonian is effectively managing staff hours and use of overtime.
- Office of Sponsored Projects (OSP) Pre-award Operations—We will determine whether Smithsonian staff have included indirect rates in negotiated grants and contracts.
- Succession Planning—We will assess whether the Smithsonian units have the necessary succession plans in place for critical positions to ensure the continuity of business operations and reduce the loss of institutional knowledge.
- Facilities Maintenance Program—We will evaluate the management of the Smithsonian facilities maintenance program, including whether the Office of Facilities Environmental & Operations prioritizes assets needing required maintenance.

CHALLENGE: SAFETY AND SECURITY OF STAFF AND VISITING PUBLIC

The safety of the Smithsonian's visitors, volunteers, and staff, and the security of its collections have been, and continue to be, the Smithsonian's highest priorities. We added this area to this year's list of top management challenges for several reasons.

First, continued security breaches around the nation and in our area, including the recent mass shooting at the Washington DC Navy Yard, remind us that we must remain vigilant in safeguarding our people and property. The Smithsonian is especially vulnerable due to the challenge of screening millions of visitors.

Second, prioritizing security will be a challenge as the Institution continues to grow—with the addition of the National Museum of African American History and Culture—even as the Smithsonian is readying to make significant budget cuts.

The task of ensuring the safety of the 13,600 staff and volunteers, as well as the visiting public rests with the Office of Protection Services (OPS). Each day, OPS balances the need to ensure that millions of visitors can access the Smithsonian's collections without endangering them or the people who work within the Smithsonian's facilities.

In FY 2012, OPS conducted risk assessments of all major Smithsonian facilities, allowing OPS to assess its compliance with Smithsonian and Federal security criteria and to identify areas of highest risk needing improved security. OPS is using this information to generate a plan for capital and maintenance security projects.

To address this critical area, we plan to audit the Smithsonian's management of facilities security and emergency preparedness. Specifically, in this audit, we will assess whether the Smithsonian units have security controls and plans in place to ensure that facilities are safe for property, staff, and the visiting public. In addition, we will evaluate the emergency response testing conducted by OPS.

CHALLENGE: COLLECTIONS STEWARDSHIP

Collections are at the core of the Smithsonian. The Smithsonian Strategic Plan recognizes that “collections are fundamental to our work,” and that it is the Smithsonian’s responsibility to “preserve them for future generations.”

The challenge for the Smithsonian is that collections are constantly growing, and at the same time, resources needed to provide proper stewardship remain stagnant or are declining. This condition will affect the Smithsonian’s ability to share its treasures with the public and scholars now and to broaden its reach to future generations through conversion to digital formats.

We have identified three challenge areas for collections care: (1) improving preservation practices; (2) strengthening inventory controls; and (3) meeting collections security standards. To address these areas, on July 17, 2013, the Deputy Under Secretary for Collections and Interdisciplinary Support (DUSCIS), testified to the Committee on House Administration, that his team has been engaged in a cross-disciplinary, Institution-wide approach to collections-related challenges and opportunities. This approach is based on three strategic initiatives:

- Implementation of an Institution-wide collections condition assessment to guide long-term plans for collections care;
- Focus on digitization to guide electronic capture of collections and research holdings to document these collections in a format that saves and shares them in perpetuity; and
- Implementation of collections space planning to survey the current condition of Smithsonian collections space and to develop a framework plan for addressing current and projected Smithsonian-wide collections space requirements, including future collections growth.

The DUSCIS further explained that these three initiatives will help the Smithsonian establish an organizational strategy to ensure improved preservation and accessibility of our physical and digital collections assets.

As the Inspector General stated in his testimony to the Committee on House Administration on June 17, 2013, we will continue to monitor Smithsonian management’s pan-institutional approach to collections stewardship and whether the Smithsonian’s initiatives address the challenges we identified. To this end, we have started an audit on the Smithsonian’s *Pan-Institutional Initiatives Addressing Collections Care*.

We will evaluate the impact that Smithsonian initiatives have on collections care and assess how management plans to use the data collected to address Smithsonian-wide collection care issues. In addition, we plan to examine future funding and contingency plans for collections care.

We also plan to assess the museum staff's transportation of high-value objects. In addition, we will continue to monitor the National Museum of American History's progress toward implementing the collection care recommendations from our audit report on collections stewardship issued in September 2011.

CHALLENGE: CONSTRUCTION MANAGEMENT

In 2003, Congress established the National Museum of African American History and Culture (NMAAHC). The funding for this estimated \$500 million construction project will be split evenly between federal appropriations and private donations. Smithsonian management has emphasized keeping this highly visible project on time and within budget.

In August 2013, we issued our third report on the NMAAHC building project. This report focused on management's budget and funding processes for the NMAAHC building project. Earlier reports found processes that needed to be strengthened to help ensure the timely opening of the museum.

We will continue to closely monitor the construction phase of the NMAAHC building project. Should any concerns come to light, we may initiate a review at that time.

Further, we intend to audit the planning of capital projects. We will review how, and at what point in the planning process for a capital project, Smithsonian management evaluates the reasonableness of the overall project cost estimate and the feasibility of securing funds.

CHALLENGE: INFORMATION SECURITY

The Smithsonian faces several information security challenges in balancing public access with essential information systems safeguards. The information security challenges are evident in the Smithsonian's ongoing efforts to (a) comply with government and industry standards for protecting information systems, and (b) establish an effective privacy program that will protect sensitive personally identifiable information (PII).

A. Federal Information Security Management Act

Every year since 2005, we have conducted or overseen reviews of select Smithsonian information systems pursuant to the Federal Information Systems Management Act (FISMA). Although FISMA does not expressly apply to the Smithsonian as a trust instrumentality, the Smithsonian nevertheless seeks to comply with the requirements as providing best practices. In these reviews, we found that the Smithsonian was not consistently implementing these best practices. For example, the Smithsonian was not enforcing the use of standard configuration baselines and had not included all of its major and minor systems in system security plans. In addition, the Smithsonian has taken a considerable length of time to implement and enforce many of these standards. We also noted that since January 2013, the Computer Security Manager position has been vacant. We believe that to maintain an effective information security program, this position should be filled expeditiously. According to management, the Office of the Chief Information Officer is undergoing a reorganization to better align responsibilities, and the search to fill the Computer Security Manager position is underway.

In our 2012 FISMA review, we determined that during the past year, the Smithsonian made improvements to strengthen the information security program, including proactively reviewing security controls and identifying areas to enhance the program. Management recently provided evidence that they have implemented a number of our oldest recommendations. We are reviewing the steps that management has taken, and we have started a review of the Smithsonian's FY 2013 information security program.

B. Smithsonian's Privacy Program

In a 2008 audit, we determined that most elements of a privacy program were not in place at the Smithsonian. In October of 2010, the Smithsonian hired a Privacy Officer (PO) and started to develop a formal privacy program. The PO made some improvements and began the task of developing a program, but the PO left before completely establishing the program. The PO position remains vacant.

The Under Secretary for Finance and Administration has spearheaded the effort to implement the privacy program and has drafted a new Smithsonian Directive on Privacy. Still, over five years after we issued our report with the privacy recommendations, many of the actions management agreed to take remain incomplete. As a result, the Smithsonian remains vulnerable to unnecessary or excessive privacy-related risks, such as that sensitive PII could be inappropriately collected or disclosed.

Throughout the coming year, we will continue to monitor management's progress towards securing the Smithsonian against privacy-related risk. Additionally, we have identified PII safeguards as a potential audit beyond FY 2014.



Smithsonian Institution

G. Wayne Clough
Secretary

November 13, 2013

Michael Sinko, Assistant Inspector General for Audits
Smithsonian Institution

Re: Management's Response to Top Management Challenges for 2013

Dear Mr. Sinko:

The Smithsonian Institution pursues its mission, *The Increase and Diffusion of Knowledge*, mindful of its responsibility to its primary stakeholders—the citizens of the United States. Everyone at the Smithsonian works to ensure that all of our activities reflect a desire to be the best in all areas of endeavor.

The Smithsonian is a complex organization that operates museums which host 30 million visitors annually, conducts scientific research, explores and showcases history, culture and the arts, and helps to educate our children. This complexity inevitably presents management challenges, including those presented in your document. My leadership team and I continue to manage the major issues facing the Institution with a combination of good planning and effective execution. Over the past few months, we have reviewed our strategic plan and the Regents have approved the extension of the plan through September 2017. The plan was recalibrated to reflect changes in our operating environment, financial and otherwise, and to incorporate new information and the results of our efforts since its initiation in 2010.

For example, months of planning were conducted to prepare our organization for sequestration and the Federal budget reductions that resulted. In fiscal year 2013, we were able to avoid major negative impacts to our visitors and avoid Federal employee furloughs. Also, steady progress to improve our IT security processes and organization has been achieved. Our commitment is underscored throughout our strategic plan in priorities such as organizational excellence, strengthening collections and measuring performance.

I appreciate your insights and the productive spirit with which they are offered. I will share your observations with senior leadership and am confident that they, along with their staff, will continue effective stewardship of our resources and operational improvement as important priorities.

Sincerely,

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