



Smithsonian Institution
Office of the Inspector General

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2017 – September 30, 2017



Cover: Photograph by Susana A. Raab, Anacostia Community Museum.
The Smithsonian Institution's Anacostia Community Museum is commemorating 50 years of service to communities in the Washington, D.C., area with the yearlong celebration "Your Community. Your Story."

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Abbreviations

CIGIE	Council of the Inspectors General on Integrity and Efficiency
FISMA	Federal Information Security Modernization Act
FFMIA	Federal Financial Management Improvement Act of 1996
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
PII	personally identifiable information
PIA	privacy impact assessment
Smithsonian	Smithsonian Institution

Table 1: Semiannual Reporting Requirements of the Inspector General Act of 1978, as amended

Public Law Section	Reporting Requirement	Page number
Section 4(a)(2)	Review of legislation and regulations	11
Section 5(a)(1)	Significant problems, abuses, and deficiencies	None
Section 5(a)(2)	Significant recommendations for corrective action	None
Section 5(a)(3)	Reports with corrective action not completed	8
Section 5(a)(4)	Matters referred to prosecutive authorities	10
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued with dollar value of questioned costs and recommendations that funds be put to better use	5
Section 5(a)(7)	Summaries of significant reports	5
Section 5(a)(8)	Audit, inspection, and evaluation reports—questioned costs	None
Section 5(a)(9)	Audit, inspection, and evaluation reports—funds to be put to better use	None
Section 5(a)(10)(A)	Audit, inspection, and evaluation reports issued before the commencement of the reporting period with no management decision	None
Section 5(a)(10)(B)	Audit, inspection, and evaluation reports issued before the commencement of the reporting period with no management comment within 60 days	None
Section 5(a)(10)(C)	Audit, inspection, and evaluation reports issued before the commencement of the reporting period with unimplemented recommendations	8
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Office of the Inspector General (OIG) disagreed	None
Section 5(a)(13)	Information described under section 804(b) of the Federal Financial Management Improvement Act of 1996 (FFMIA)	None
Section 5(a)(14-16)	Peer reviews	11
Section 5(a)(17-18)	Investigative tables	10
Section 5(a)(19)	Report on investigations with substantiated allegations involving senior employees	9
Section 5(a)(20)	Whistleblower retaliation	None
Section 5(a)(21)	Attempts to interfere with OIG independence	None
Section 5(a)(22)(A)	Inspections, evaluations, and audits that were closed and not disclosed to the public	None
Section 5(a)(22)(B)	Investigations involving senior employees that were closed and not disclosed to the public	None

Message from the Inspector General

On behalf of the Smithsonian Institution's (Smithsonian) Office of the Inspector General (OIG), I am pleased to submit this semiannual report. This report highlights the audit and investigative activities of our office for the 6-month period ending September 30, 2017.

Throughout this semiannual period, our audit work addressed issues intended to improve the efficiency and effectiveness of the Smithsonian's programs and operations. Our office issued two reports, conducted work on eight ongoing audits, and closed nine recommendations. In addition, OIG made four recommendations to enhance the security of the Smithsonian's publicly accessible websites. Publicly accessible websites pose significant risk to the Smithsonian because anyone with an Internet connection could target such a website to gain access to its stored data or gain entry into its network. In fact, two of the Smithsonian's information systems were compromised in 2016 due to website vulnerabilities. In one case, the compromise led to the disclosure of personal data for more than 1,000 researchers. This audit also supported a broader, government-wide assessment, coordinated by the Council of the Inspectors General on Integrity and Efficiency.

Our investigative activities continued to hold accountable those who sought to harm the Smithsonian's programs and operations. During the reporting period, we resolved 35 complaints and completed two investigations. As a result of our investigative work, Smithsonian management prevented an estimated loss of \$5,936.40 when it adjusted a senior employee's annual leave balance to accurately reflect 36 hours that were not worked. In addition, a Smithsonian employee who stole approximately \$600 in cash from the Smithsonian resigned and was successfully prosecuted. After fulfilling community service requirements, the employee's criminal misdemeanor case was dismissed.

In the months ahead, our office will continue to focus on issues of importance to the Smithsonian Board of Regents and management to help them meet their stewardship and fiduciary responsibilities, support congressional oversight, and provide information to the public. We hope that you find this report informative.



Cathy L. Helm
Inspector General

Introduction

The Smithsonian Institution

The Smithsonian Institution (Smithsonian) is a trust instrumentality of the United States created by Congress in 1846 to carry out the provisions of the will of James Smithson, an English scientist who left his estate to the United States to found “an establishment for the increase and diffusion of knowledge.”

The Smithsonian includes 19 museums, the National Zoological Park, nine research centers, and numerous research programs carried out in the museums and other facilities throughout the world. In fiscal year 2016, members of the public made more than 29 million visits to the Smithsonian museums and zoo. In addition, more than 134 million people visited the Smithsonian’s public websites.

The Smithsonian is the steward of an extensive collection. The total number of artifacts, works of art, and specimens in the Smithsonian’s collections is estimated at 154.8 million, of which 145 million are scientific objects and specimens at the National Museum of Natural History. The collections form the basis of world-renowned research, exhibitions, and public programs in the arts, culture, history, and the sciences. The Smithsonian Affiliations program brings its collections, scholarship, and exhibitions to almost all states, Puerto Rico, and Panama.



The Smithsonian Institution Building (“The Castle”) in Washington, D.C., at dusk. Photo: Ken Rahim, Smithsonian Institution.

The funding for a substantial portion of the Smithsonian’s operations is annual federal appropriations. The Smithsonian also receives federal appropriations for the construction or repair and restoration of its facilities. Construction of certain facilities has been funded entirely by federal appropriations, while others have been funded by a combination of federal and private funds.

The Smithsonian also receives private support and government grants and contracts and earns income from investments and various business activities. Business activities include Smithsonian magazines and other publications; online catalogs; and theaters, shops, and food services in its museums and centers.

Office of the Inspector General

The Inspector General Act of 1978, as amended in 1988, created the Office of the Inspector General (OIG) as an independent entity within the Smithsonian. OIG reports directly to the Smithsonian Board of Regents and to the Congress. OIG's organizational structure is described below.

Office of Audits

The Office of Audits conducts audits of the Smithsonian's programs and operations to improve their efficiency and effectiveness. The office is guided by an annual audit plan that identifies high-risk areas for review. The Office of Audits also monitors the external audits of the Smithsonian's financial statements and of the Smithsonian's information security practices.

Office of Investigations

The Office of Investigations pursues allegations of waste, fraud, abuse, gross mismanagement, employee and contractor misconduct, and criminal violations of law that have an impact on the Smithsonian's programs and operations. It refers matters to federal, state, and local prosecutors for action whenever OIG has reasonable grounds to believe there has been a violation of criminal law. The Office of Investigations also presents any administrative misconduct to management for possible disciplinary action.

Office of Operations

The Office of Operations provides technical and administrative support to OIG. It is responsible for OIG administrative matters, such as budgeting, procurement, human resources, and information technology.

Counsel

The Counsel to the Inspector General provides independent legal advice to the Inspector General and OIG staff.

Audits

During this semiannual period, OIG issued two reports, conducted work on eight ongoing audits, and closed nine recommendations. OIG's audit work focuses on areas to improve the efficiency and effectiveness of the Smithsonian's programs and operations.

Summary of Issued Audit Reports

Below are summaries of the reports that OIG issued during this reporting period.

Independent Auditor's Report on the Fiscal Year 2016 Audit of Federal Awards Performed in Accordance with Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OIG-A-17-04, May 11, 2017)

An independent public accounting firm, KPMG LLP, submitted the third and final independent auditors' report on the Smithsonian's fiscal year 2016 financial statement audits. This report covers the audit of expenditures of federal awards (grants and contracts). KPMG LLP expressed an unmodified opinion on the Smithsonian's schedule of federal award expenditures concluding that the Smithsonian complied with federal laws, regulations, and the terms and condition of the federal awards.

Information Security: Opportunities to Reduce the Risk of Unauthorized Access to the Smithsonian Institution's Publicly Accessible Websites (OIG-A-17-05, September 27, 2017)

Publicly accessible websites pose significant risk to the Smithsonian because anyone with an Internet connection could target a website to gain access to its stored data or gain entry into its network. In fact, two of the Smithsonian's information systems were compromised in 2016 due to website vulnerabilities. In one case, the compromise led to the disclosure of personal data for more than 1,000 researchers.

The Smithsonian's websites help the Smithsonian in achieving its goal of providing broader access to exhibitions, research, programs, collections, and digital assets. The Smithsonian's web presence also allows the public to make purchases from its online stores, sign up to be a volunteer, or apply for an internship. In fiscal year 2016, more than 134 million people visited the Smithsonian's public websites.

The objective of this audit was to assess to what extent the Smithsonian had processes in place to prevent, detect, and resolve security vulnerabilities on the Smithsonian's publicly accessible websites. OIG determined that the Smithsonian had elements of the key processes in place to prevent, detect, and resolve website vulnerabilities. However, the Smithsonian needs to consistently apply those processes to resolve vulnerabilities, maintain its website inventory, and monitor websites for new threats. Specifically, Smithsonian websites were at increased risk of unauthorized access due to unresolved security vulnerabilities. OIG made four recommendations to enhance website security. Management agreed with all four recommendations. This audit also supported a broader, government-wide assessment, coordinated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

Work in Progress

At the end of the period, OIG had eight audits in progress, as described below.

Employee Background Investigations

OIG auditors are determining the extent to which the Smithsonian ensures that appropriate background investigations are promptly conducted on employees and affiliated individuals.

Smithsonian Astrophysical Observatory's Grants Management

OIG auditors are assessing to what extent the Smithsonian Astrophysical Observatory (1) manages grants and contracts it receives in accordance with written policies and procedures and (2) has effective controls over administering grants it awards under a National Aeronautics and Space Administration contract.

Emergency Preparedness Program

OIG auditors are assessing to what extent the Smithsonian has effective emergency preparedness policies and procedures in place to protect life and property and to perform essential functions during circumstances that disrupt normal operations.

Travel Expenses of the Board of Regents for Fiscal Year 2016

OIG auditors are determining whether the reimbursements for fiscal year 2016 complied with the Office of the Regents' *Reimbursement of Regents' Meeting Expenses* policy.

Governance of Information Technology

OIG auditors are assessing to what extent the Smithsonian has a governance program to provide efficient and coordinated information technology support for the Smithsonian's overall mission.

Fiscal Year 2016 Review of the Smithsonian's Information Security Program

Williams, Adley & Company-DC, LLP, an independent public accounting firm, is reviewing the Smithsonian's information security program for fiscal year 2016. The Federal Information Security Modernization Act (FISMA) directs OIG to annually evaluate the information security program of the entity it oversees. Although the Smithsonian is not subject to FISMA because it is not an executive branch agency, the Smithsonian has adopted FISMA requirements as part of its Technical Standards and Guidelines.

Fiscal Year 2017 Review of the Smithsonian's Information Security Program

Williams, Adley & Company-DC, LLP, is reviewing the Smithsonian's information security program for fiscal year 2017. FISMA directs OIG to annually evaluate the information security program of the entity it oversees. Although the Smithsonian is not subject to FISMA because it is not an executive branch agency, the Smithsonian has adopted FISMA requirements as part of its Technical Standards and Guidelines.

Fiscal Year 2017 Financial Statements Audits

KPMG LLP conducts the Smithsonian's annual financial statement audits, which include the Smithsonian-wide financial statements, the federal special-purpose financial statements, and the audit of federal awards in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance"). An OIG auditor serves as the contracting officer's technical representative for these audits.

Other Audit Activities

Status of Recommendations

As shown in table 2, Smithsonian management made significant progress in implementing recommendations from audit reports that OIG had issued in previous semiannual reporting periods. As a result, OIG closed nine recommendations during the past 6 months.

Table 2: Summary of Audit Recommendation Activity during the Semiannual Reporting Period Ending September 30, 2017

Status of recommendations	Number of recommendations
Open at the beginning of the period	18
Issued during the period	<u>4</u>
<i>Subtotal</i>	<u>22</u>
Closed during the period	<u>9</u>
Open at the end of the period	13

Table 3 summarizes the audit reports from previous periods that have unimplemented recommendations. None of these recommendations has cost savings associated with them.

Table 3: Reports from Previous Periods with Unimplemented Recommendations

Report summary	Unimplemented recommendations
<p><i>Fiscal Year 2014 Independent Evaluation of the Smithsonian Institution's Information Security Program</i> (OIG-A-16-02, December 14, 2015)</p> <p>The Office of the Chief Information Officer (OCIO) continued to make progress in improving controls over information technology resources. However, OCIO needed to do additional work to ensure controls were in place and operating effectively. In addition, there were some control weaknesses because the OCIO was not implementing security patches or software updates in a timely manner. Also, some system managers were not consistently submitting quarterly monitoring reports or remediating security vulnerabilities within established time frames. The report made 17 recommendations, and 1 remains unimplemented.</p>	<p>The Chief Information Officer should strengthen the security assessment and authorization process to align with updated National Institute of Standards and Technology requirements.</p> <p>Target completion date: September 30, 2017.</p>
<p><i>Audit of the Smithsonian Institution's Privacy Program</i> (OIG-A-16-04, March 14, 2016).</p> <p>The Smithsonian has made progress in privacy management since the previous OIG privacy audit in May 2009. However, significant work was still needed to institute key privacy processes and controls. For example, key activities that have not been completed include developing an organization-wide privacy strategic plan and documenting a comprehensive list of personally identifiable information (PII) being collected, processed, and stored throughout the Smithsonian. Without a clear understanding of the types of PII being handled, management officials do not have reasonable assurance that they are collecting only the information needed to carry out the Smithsonian's mission and are adequately protecting that information from unauthorized use or disclosure. In addition, the Smithsonian's privacy impact assessment (PIA) process needs improvement. Eleven recommendations were made, and six remain unimplemented.</p>	<p>The Privacy Officer (1) should strengthen management of the Smithsonian's PII holdings by developing a formal process to periodically conduct and document a comprehensive inventory of PII used by the Smithsonian, (2) develop and implement a plan to reduce PII holdings where possible, (3) strengthen policies and procedures to identify systems requiring a PIA, (4) ensure that a PIA is completed for all systems containing PII, (5) periodically test compliance with requirements to safeguard PII in physical form, and (6) implement controls to ensure that the Smithsonian's breach notification policy is updated as necessary.</p> <p>Target completion date: December 1, 2017.</p>
<p><i>Fiscal Year 2015 Independent Evaluation of the Smithsonian Institution's Information Security Program</i> (OIG-A-16-11, September 30, 2016).</p> <p>The Smithsonian generally exercised effective management and oversight of its information security program. However, controls in the following areas required strengthening: identity management and user access; incident response monitoring; risk management; contractor systems oversight; and role-based security training. The auditors made 11 recommendations to address the control deficiencies, of which 2 remain unimplemented.</p>	<p>The Chief Information Officer (1) should periodically review the use of local administrator access to ensure access is granted with proper justification and need and should ensure users with the privilege receive adequate training and (2) complete the implementation of the system inventorying process.</p> <p>Target completion date: December 31, 2017.</p>

Investigations

At the start of the reporting period, OIG had 33 open complaints and 12 ongoing investigations. During the reporting period, OIG received 35 new complaints, resolved 35 complaints, opened two investigations, and completed two investigations. At the end of the reporting period, there were 31 open complaints and 12 ongoing investigations.

Highlights of Investigative Actions

Time and Attendance Violations and Misuse of Smithsonian Property - Senior Employee

OIG determined that, over a period of more than 4 years, a Smithsonian senior employee incorrectly recorded 36 hours as working hours instead of annual leave in the Smithsonian's official time and attendance record-keeping system. These 36 hours represent an estimated loss of \$5,936.40 that the Smithsonian would have to pay the employee at the time of their retirement or other type of departure from the Smithsonian. OIG did not find any fraudulent intent by the employee in connection with these erroneous time and attendance entries.

OIG also determined during the course of the time and attendance investigation that the senior employee utilized a staff employee to conduct personal services on their behalf.

As a result of OIG's investigation, Smithsonian management reduced the senior employee's annual leave by 36 hours, and the senior employee was cautioned against any future use of Smithsonian staff to perform personal tasks on their behalf.

Theft of Government Funds

OIG determined that a Smithsonian employee stole approximately \$600 in cash from the Smithsonian. The employee confessed to OIG that they had stolen money from the sales register while working as a sales associate at a Smithsonian museum store. The employee resigned from Smithsonian. After their arrest by OIG, the employee entered into a deferred prosecution agreement with the U. S. Attorney's Office for the District of Columbia. After successfully fulfilling community service requirements, the criminal misdemeanor case against the employee was dismissed.

Table 4 contains a statistical summary of OIG's investigative results during the semiannual reporting period.

Table 4: Statistical Summary of the OIG's Investigative Results during the Semiannual Reporting Period Ending September 30, 2017

Investigative activity or result	Number or amount
Caseload	
Cases pending at beginning of reporting period	12
Cases opened during the reporting period	2
<i>Subtotal</i>	14
Cases closed during the reporting period	2
Investigative reports issued	2
Cases carried forward	12
Referrals for prosecution	
Referrals to the Department of Justice	5
Referrals to state and local prosecuting authorities	0
Indictments and criminal informations from current period referrals	0
Indictments and criminal informations from prior period referrals	1
Successful prosecutions	
Convictions	0
Fines	0
Probation	1
Confinement	0
Monetary restitutions	0
Forfeiture of assets and seized evidence	0
Administrative actions	
Terminations	0
Resignations	1
Reprimands or admonishments	0
Suspensions	0
Monetary loss prevented	\$5,936.40

Other Investigative Activities

Fraud Awareness Program

OIG investigators continued efforts to reach out to Smithsonian staff and provide information on fraud awareness in Smithsonian programs and operations. During this reporting period, OIG investigators made fraud awareness presentations to 188 new employees during their orientation sessions.

Other OIG Activities

Legislative and Regulatory Review

In accordance with the Inspector General Act of 1978, as amended, OIG monitored and reviewed legislative and regulatory proposals for their impact on the Smithsonian's programs and operations. Additionally, the Counsel to the Inspector General monitored congressional bills and issues relating to the Inspector General community. OIG also reviewed draft Smithsonian policies for their impact on OIG operations.

Other Activities

OIG remained actively involved with CIGIE, a group of federal Inspectors General that promotes collaboration on integrity, economy, and efficiency issues that transcend individual agencies. The Inspector General serves on five CIGIE committees and is the Chair of the Small/Unique OIG Group, a group of IGs who meet quarterly and exchange ideas and practices. The OIG Counsel leads the Smaller OIG Counsel Working Group and serves on the steering committee for the OIG Freedom of Information Act Working Group. OIG was actively involved in a CIGIE project to assess web application security across the federal government.

In addition, OIG staff participated in the Washington Metro Electronic Crimes Task Force, the Metropolitan Area Fraud Task Force, the Association of Certified Fraud Examiners, the Institute of Internal Auditors, the Federal Audit Advisory Committee for Enterprise Technology Solutions, the Financial Statement Audit Network, and the Interagency Fraud Risk Data Mining Group.

Peer Reviews

Office of Audits

Generally Accepted Government Auditing Standards require audit organizations to (1) establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements and (2) undergo external peer reviews by independent reviewers every 3 years. On September 22, 2017, the Amtrak OIG completed the most recent peer review of the Smithsonian OIG. OIG received a peer review rating of "pass," the highest rating.

Office of Investigations

The Office of Investigations complies with guidelines established by the U.S. Attorney General. On February 27, 2015, the Government Publishing Office's OIG completed a peer review of the Smithsonian's OIG investigative program based on the *Quality Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General*. The Smithsonian received a peer review rating of "compliant," the highest rating.



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Office of the Inspector General

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The Office of the Inspector General investigates allegations of waste, fraud, abuse, gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on the Smithsonian's programs and operations.

If requested, anonymity is assured to the extent permitted by law. Although you may remain anonymous, we encourage you to provide us with your contact information. The ability to gather additional information from you may be the key to effectively pursuing your allegation.