



In Brief

Executive Compensation at the Smithsonian Report Number A-06-06, January 19, 2007

Why We Did This Audit

After we announced an audit of executive compensation at Smithsonian Business Ventures (Number A-06-02), the Chairman of the Senate Finance Committee asked us to expand its scope to include all executives at the Institution.

What We Recommended

We made no recommendations in this report, although we did note deficiencies in the Institution's procedures governing relocation bonuses and reimbursements. We will be conducting a separate audit on that topic.

We also noted that having the independent compensation consultants report directly to the Board of Regents' Compensation Committee would strengthen governance of the compensation process.

Management generally concurred with our observations, but disagreed that a comparison between federal and trust salaries is appropriate.

What We Found

Smithsonian procedures for establishing and documenting compensation for federal and trust executives, who are on two separate pay scales, are generally adequate, and Institution management follows those procedures. We were able to validate the salaries, cash awards, and retention bonuses paid in 2000 through 2006 to approved policies and official payroll records for all non-SBV senior-level executives.

We were able to trace compensation increases to high-level approvals. We observed that before 2005, written performance appraisals often were not fully documented or always forwarded to the Office of Human Resources for inclusion in personnel files.

We also found that the Institution had weak policies and procedures for granting and recording relocation expenses and relocation bonuses. The Institution has initiated actions to address these problems.

In addition, we observed that salaries of trust executives were in line with the recommendations of the Institution's compensation consultants. Trust salaries are also generally comparable to those at selected non-profit organizations we reviewed. We also found that trust salaries for administrative executive positions are notably higher than those for similar positions in federal agencies.

For additional information or a copy of the full report, contact the Office of the Inspector General at (202) 633-7050 or visit <http://www.si.edu/oig>.



Smithsonian Institution

Date January 19, 2007

To Audit and Review Committee, Smithsonian Board of Regents

cc Lawrence M. Small, Secretary
Sheila P. Burke, Deputy Secretary and Chief Operating Officer
James D. Douglas, Director, Office of Human Resources

From A. Sprightley Ryan,  Acting Inspector General

Subject Audit of Executive Compensation at the Smithsonian, Number A-06-06

This report presents the results of the second of two Office of the Inspector General audits of executive compensation at the Smithsonian. After we had announced an audit of executive compensation at Smithsonian Business Ventures (SBV), the primary revenue-generating unit of the Smithsonian Institution, the Chairman of the Senate Finance Committee asked our office to expand its scope. In keeping with the Committee's interest in non-profit governance, accountability, and transparency in financial operations, the Chairman requested that we examine executive compensation throughout the Institution.

Because SBV has a distinct compensation system, we are issuing two separate reports. The first report (Number A-06-02) covers executive compensation at SBV and the sources and reliability of revenue and performance data used to determine salaries and bonuses. This report, the second one, examines compensation of Smithsonian executives other than those at SBV.

Our objectives for this report were to assess (1) how the Smithsonian establishes and documents executive compensation levels and bonuses and (2) whether actual payments were in compliance with these procedures. Appendix A details our scope and methodology.

RESULTS IN BRIEF

We found that Smithsonian procedures for establishing and documenting compensation for federal and trust executives, who are on two separate pay scales, are generally adequate, and that Institution management follows those procedures. We were able to validate the salaries, cash awards, and retention bonuses paid in 2000

through 2006 to approved policies and official payroll records for the 196 non-SBV senior-level executives. While we were able to trace compensation increases to high-level approvals, we observed that before 2005, written performance appraisals often were either not produced or not forwarded to the Office of Human Resources for inclusion in personnel files. We also found that the Institution had weak policies and procedures regarding relocation expenses and relocation bonuses. The Institution has initiated actions to address these problems, and we will conduct an audit of this issue separately.

In addition, we observed that salaries of trust executives were in line with the recommendations of the Institution's compensation consultants. Trust salaries are also generally comparable to those at selected non-profit organizations we reviewed. We also found that trust salaries for administrative executive positions are notably higher than those for similar positions in federal agencies.

Although this report contains many observations, we propose no recommendations at this time.

BACKGROUND

The Smithsonian Institution is a trust instrumentality of the United States that was 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 of America to found "an establishment for the increase and diffusion of knowledge." Although a federal entity, the Smithsonian does not exercise governmental powers or executive authority, such as enforcing the laws of Congress or administering government programs. It is essentially a non-profit institution dedicated to the advancement of learning, with an extensive museum and research complex that today includes 19 museums and galleries, the National Zoological Park, and research centers around the nation's capital, in eight states, and in the Republic of Panama. The Smithsonian Board of Regents is the governing body of the Institution. The Board appoints the Secretary of the Smithsonian, who runs its day-to-day operations as its chief executive.

Federal appropriations provide the core support for the Institution's science efforts, museum functions and infrastructure. Trust resources, including external grants and private donations, supplement those appropriations. In FY 2006, the Institution received a federal appropriation of \$615 million. Trust funding for FY 2006 was approximately \$274 million.

The Smithsonian has two types of employees: federal (paid with appropriations) and trust (paid with Trust funds), each with their own pay scales and benefits programs.¹ Like all federal employees, those at the Smithsonian have significant job security, obtain automatic pay increases (for adequate performance), and are entitled to extensive grievance procedures. Trust employees do not have the same protections.

Federal and trust salaries below the executive level are generally comparable, but that is not the case at the executive level. Federal law places a ceiling on federal salaries. There is no cap on trust salaries, and many Smithsonian trust executives earn substantially above the federal scale.²

As of September 2006, the Institution had a total of 223 senior-level executives, excluding the Secretary.³ Of the 223 executives, 27 are at SBV. Of the non-SBV executives, 106 are federal and 90 are trust employees. The Institution defines "Senior Level" executives as those employees who have an annual pay rate of at least the minimum mandated pay rate for federal employees in Senior Level positions, including the Washington, D.C. locality adjustment. Senior Level executives include the Institution's key leadership team (Deputy and Under Secretaries, Museum and Research Center Directors), as well as senior managers and programmatic experts.

RESULTS OF AUDIT

Establishing Compensation Levels: Federal Executive Pay

The Institution's 106 federal executives are paid with federal funds, and their pay rates, like those of all federal employees, are established by the Office of Personnel Management (OPM) based on the particular position. The Institution does not have any employees who are members of the Senior Executive Service (SES) or the Executive Schedule (EX). All federal senior-level executives are paid on the federal Senior Level (SL) and Scientific or Professional (ST) positions pay scale, which for 2006 had a salary band of \$129,024 to \$152,000.

¹ There are three other compensation arrangements of note at the Institution. Smithsonian Business Ventures has a "pay-banding" system that uses a market-based pay structure (described in our companion audit, Number A-06-02). The Director of the Smithsonian Astrophysical Observatory is paid by both the Smithsonian and Harvard University. And the Smithsonian Tropical Research Institute (STRI), which has both federal and trust employees, has an additional, separate employment system for its Panamanian employees.

² We note that the U.S. House Appropriations Committee's Department of Interior, Environment, and Related Agencies Appropriations Bill for fiscal year 2007 (H.R. 5386) would limit total compensation of Smithsonian officers and employees to no more than the salary of the President of the United States, currently \$400,000.

³ This report does not cover the compensation of the Secretary, except in passing. At the request of the Secretary and the Board of Regents, an independent accountant (under the supervision of the Office of the Inspector General) conducted an agreed-upon procedures review of his compensation and expenses.

Approximately 54 percent of the Smithsonian's federal executives had reached the cap on annual salaries of \$152,000 in 2006.⁴ The ten highest paid federal executives, with total compensation in 2006 ranging from \$174,800 to \$190,000, were either scientists at the Smithsonian Astrophysical Observatory (SAO) in Cambridge, Massachusetts, or top managers in the Office of Facilities Engineering and Operations. Other top Smithsonian federal executives include the Director of the Office of Contracting, the Director of the Smithsonian Environmental Research Center, the Director of Equal Employment and Minority Affairs, and the Inspector General. About half the federal executives are senior scientists at SAO, the Smithsonian Tropical Research Institute in Panama, the National Museum of Natural History, and the National Zoological Park.

The pay of federal executives at the Smithsonian is actually more limited than at other federal entities. At most federal agencies, federal executives may earn above Senior Level salaries. For example, those on the Executive Schedule (cabinet secretaries and similar positions) may have base salaries up to \$183,500 (2006), and those in the Senior Executive Service (SES) may have base salaries up to \$165,200. Indeed, under certain conditions, SES employees can earn total compensation (primarily through cash bonuses on top of their salaries, which, as noted earlier, are capped), up to the salary of the Vice President, which in 2006 was \$212,000. Because the Smithsonian does not have a certified performance management system, compensation (salaries plus cash awards and retention bonuses) for senior-level executives is capped at Level I of the Executive Schedule (\$183,500 in 2006).⁵ Smithsonian federal employees cannot receive compensation above this cap, but are eligible to receive recruitment and relocation allowances and other cash awards up to a statutorily prescribed amount.

Moreover, federal executives at the Smithsonian are not eligible for certain exceptions to federal pay caps. For example, under the Federal Workplace Flexibility Act of 2004, OPM may approve compensation for critical positions up to Level I of the Executive Schedule (\$183,500 in 2006). These positions must require a "very high level of expertise in a scientific, technical, professional or administrative field and be crucial to the accomplishment of an agency's mission." In addition, some federal agencies that require unique or highly specialized scientific skills also operate programs that allow for higher compensation. For example, employees in the National Science Foundation's Intergovernmental Personnel Act (IPA) program do not have a set salary limit.⁶ Another example is the National Institutes of Health, which allows certain employees, such as Senior Investigators, to receive base salaries up to \$250,000 and total pay (including bonuses and incentives) up to \$275,000.

⁴ Of the 57 federal executives who had reached the salary cap, 41 actually received total compensation greater than \$152,000 as a result of additional cash awards and recruitment and retention bonuses.

⁵ According to the Smithsonian's Office of Human Resources, the payroll processing system will not process payroll in excess of the compensation limits.

⁶ An OPM audit in 2004 found that only a small percentage of the IPA employees are compensated above the SES level.

Establishing Compensation Levels: Trust Executive Pay

The Smithsonian's general philosophy regarding compensation for senior level trust executives is to attract and retain superior talent while competing with other large, sophisticated organizations for the best in non-profit sector leadership. The Institution believes that Trust funds must be used to ensure that the compensation for the top 25 to 35 trust executives is reasonable and comparable to the compensation plans of other non-profit organizations whose senior executives have similar duties and responsibilities.

Like other non-profits, and in accordance with IRS rules governing compensation at non-profit organizations, the Institution contracts with outside consultants every other year to compare Smithsonian compensation for specific senior management positions to compensation for similar positions in museums, universities, not-for-profit organizations, and general industry. For each position studied, the consultants determine the going market or competitive rate. Federal agencies and federal pay scales are not included in this analysis. Compensation for these positions is targeted at the 50th percentile of the competitive market. The Smithsonian considers its trust executives to be competitively paid if their compensation is within 15 percent of the market rate. The Secretary and the Deputy Secretary use this information in proposing salaries and annual adjustments for trust executive positions.

We note that the Independent Sector's⁷ Panel on the Nonprofit Sector report to Congress in 2005 recommended that independent compensation consultants report directly to Boards of Directors or their compensation committees. We believe this approach, where the Compensation Committee would hire and manage the compensation consultants directly, would strengthen the governance of the compensation process at the Institution.

Establishing Salary Increases and Bonuses for All Executives

Prior to 2000, the Secretary had discretionary authority to hire and determine compensation levels for all trust executives. Beginning in 2000, the Secretary requested that the Executive Committee of the Board of Regents develop a policy to review and approve the compensation of top managers. In 2003, the Board of Regents created the Committee on Compensation and Human Resources to manage executive compensation and report to the Board of Regents.

Annual salary increases for both federal and trust executives are based on performance, as tracked and measured by written performance appraisals approved by the immediate

⁷ The Independent Sector is a non-partisan coalition of 550 charities, private foundations, and religious congregations. This Panel's report was requested by the Senate Finance Committee to examine governance, transparency, and ethical standards in the charitable community.

supervisor of the individual involved. All executives are on fiscal-year performance appraisal schedules. Salary increases for top trust executives may also be based on market rates for their positions. There is no ceiling for trust executives' salaries, and adjustments are balanced against the available trust budget.

The process for approving annual compensation, including raises and bonuses, works as follows. Before a new fiscal year begins, the Secretary and Deputy Secretary determine which senior executives will be eligible for executive compensation adjustments, based on their expected performance appraisals and their positions. The Institution's Office of Planning, Management and Budget (OPMB) prepares an analysis of the proposed salary increases and forwards it to the Office of Human Resources (OHR). OHR, in turn, develops a compensation guidance memorandum for unit heads with instructions on salary adjustments and how those adjustments should be applied to actual performance ratings.

The individual units then submit proposed salary increases to their Under Secretaries for review and transmittal to OHR, which compiles the data and sends it to OPMB to align with available funding. OHR prepares the Senior Compensation Book, which contains salary recommendations for all federal and trust executives. The Secretary reviews and approves this document in consultation with his senior managers before transmitting it to the Board of Regent's Committee on Compensation and Human Resources. After that Committee approves it, they send the Book to the full Board of Regents for approval at its January meeting. Since 2000, the full Board has reviewed and approved the compensation of the top 25 to 35 executives individually, and of the next 75 to 85 executives as a group.

Observations on Compensation

We found that Smithsonian procedures for establishing and documenting compensation for federal and trust executives are generally adequate, and that Institution management follows those procedures. We were able to validate salaries and other compensation for all executives to approved policies and payroll records, with the exception of relocation bonuses and expenses. We were able to trace compensation increases to the necessary approvals. Although in previous years performance evaluations were not fully documented or always forwarded to OHR for inclusion in personnel files, we observed that in 2005 the process had become more structured and that there was better monitoring to ensure that performance appraisals, on which salary increases and bonuses are based, were generally completed and submitted in a more timely manner.

The number of non-SBV Smithsonian executives (both federal and trust) has increased from 179 in 2000 to 196 in 2006. We also noted that a small number of federal executives resigned or retired and were rehired as trust executives, resulting in considerable increases to their salaries even when their positions did not change. For

example, the Director of the Office of Planning, Management and Budget and the Director of the Office of Facilities Engineering and Operations retired as federal employees and immediately were rehired as trust employees in the same positions at 40 to 50 percent higher salaries.

We also observed that the average compensation of trust executives increased at a greater rate each year than the average compensation of federal executives at the Smithsonian. In the January 2006 Senior Executive Compensation Report prepared for the Smithsonian Board of Regents' Compensation and Human Resources Committee, the Institution explained that in addition to federal salaries being capped by law, this pay gap could be attributed to the majority of the key leadership positions being filled by higher paid trust employees.

Compensation Amounts for Smithsonian Executives, FY 2000 to FY 2006

For all federal and trust executives combined (but not including the Secretary), average compensation in 2006, including salaries, bonuses and other awards, was \$164,575.

Total Compensation in 2000 versus 2006

The Smithsonian paid out approximately \$15.9 million in federal executive salaries in 2006. In 2000, it paid out approximately \$12.1 million. The Institution will have paid out approximately \$16.3 million in trust executive salaries in 2006.⁸ In 2000, it paid out approximately \$10.5 million. Combined, salaries for all executives (federal and trust), excluding the Secretary and Smithsonian Business Ventures executives, totaled \$32.3 million in 2006, an increase of approximately \$9.7 million over 2000, or an average increase of 5 percent annually.⁹ Appendix B sets forth the total compensation of Smithsonian federal executives from 2000 to 2006.

Range of Compensation for Trust Executives

Compensation for trust executives in 2006 averaged \$181,461, with the range being \$120,000 to \$440,000. The majority of the executives were clustered around \$150,000. The Deputy Secretary and Chief Operating Officer earned \$400,000, and Under Secretaries earned from \$315,000 to \$440,000. Compensation for museum directors ranged from \$145,000 to \$268,555. Deputy Directors and other administrative and programmatic staff fell at the lower end of the range. Appendix C sets forth the total compensation of the top non-SBV trust executive positions for 2000 to 2006.

⁸ This figure excludes the Secretary's 2006 compensation of \$884,733. See footnote 3.

⁹ We note that the rate of inflation during this period was approximately two to three percent per year.

Cash Awards and Retention Bonuses

The Institution gives out cash awards to employees for superior performance. The number and amounts of cash awards have increased since 2000. Approximately 4 percent of federal executives received cash awards in 2000, while 43 percent received them in 2006. In 2000, the average award was \$5,500, and ranged from \$3,700 to \$7,500; in 2006,¹⁰ the average was \$3,932 and ranged from \$288 to \$10,000. In 2006, the Institution granted a total of \$204,466 in cash awards to federal executives. For trust executives, the figures are smaller. In 2000, there was only one cash award given to a trust executive, for \$25,000. In 2006, 22 percent of trust executives received cash awards. The average award was \$3,469, and awards ranged from \$675 to \$6,000.

In addition to cash awards, and as part of its efforts to retain executive staff, the Institution has increased the total amount of retention bonuses paid to federal and trust executives from \$80,069 in 2000 to \$343,943 in 2006. The total amount of retention bonuses for trust executives grew from \$21,344 in 2000 (one individual) to \$87,400 in 2006 (two individuals), and for federal executives even more significantly, from \$58,725 (three individuals) in 2000 to \$256,543 (ten individuals, nine of whom had reached the federal salary cap) in 2006.

Smithsonian Executive Compensation Compared to Non-Profit and Federal Agency Executive Compensation

Smithsonian trust executive salaries were generally aligned with the Institution's compensation consultants' recommendations. Overall, trust executive salaries averaged near the 50th percentile of what the consultants defined as comparable positions in the non-profit and educational sectors. We noted that in 2006, the Smithsonian paid 18 of the top 35 trust executives above the 50th percentile of the competitive market, as described by the compensation consultant, and seven were paid above the 75th percentile.

Senior executives in the non-profit sector earned similar levels of compensation to those earned by Smithsonian executives in executive administrative positions. For example, the Smithsonian's Chief Financial Officer (CFO) received total compensation of \$260,557 in 2005. In that year, CFOs or equivalent positions earned slightly higher compensation at the Wildlife Conservation Society (\$263,182); Public Broadcasting Service (\$287,476), and the AARP (\$267,458). Appendix D sets forth the compensation of top executives at selected non-profit organizations, including the Smithsonian.

On average, trust executives earn 21 percent more than federal executives at the Institution. The Smithsonian paid 42 of the 90 trust executives (or 46 percent) more than the maximum basic federal pay rate of \$165,200 in fiscal year 2006, and 19 of these

¹⁰ The 2006 figures are as of September 30, 2006, the end of the fiscal year.

trust executives (or 21 percent) were paid salaries greater than the \$212,000 salary paid to the Vice President of the United States.

Smithsonian executives in key administrative positions were paid considerably more than their counterparts at larger government agencies with more staff and larger budgets.¹¹ For example, the Smithsonian's Chief Information Officer (CIO) received total compensation of \$236,250 in 2005. CIOs in the federal agencies we reviewed received significantly less, such as at NASA (\$177,957); the Department of Transportation (\$173,289); and the Department of Defense (\$140,300).¹² At the Deputy Secretary level, the Smithsonian's Deputy Secretary made \$370,000 in 2005; at the Departments of Defense, Health and Human Services, and Energy, to name a few, the Deputy Secretaries' pay plans called for them to make \$162,000. Charts 1, 2, 3, and 4 in Appendix E compare pay levels of Smithsonian executives in administrative positions and the pay levels of comparable positions at selected federal agencies.

Relocation Bonuses and Expenses

One area of particular concern we found is the Institution's policies and procedures regarding relocation bonuses and expense reimbursements. Executives receive relocation bonuses or reimbursements for relocation expenses, but the Smithsonian has no consistent, Institution-wide method or standards for processing or documenting these bonuses or reimbursements, although payment of relocation expenses should comply with federal travel regulations.¹³ Moreover, reimbursements of relocation expenses to employees should be reported by both the Smithsonian and the employee on the appropriate income tax forms to the Internal Revenue Service.

According to the Smithsonian Travel Policy Manual, to be eligible for relocation reimbursement, a new appointee must sign a written "service agreement" providing he or she will remain in service at the Institution for at least 12 months. However, the Manual offers little guidance to units or to individuals seeking relocation reimbursements. For example, it does not specify who is responsible for the service agreement; what documentation is necessary to receive reimbursement or by when that documentation should be provided; how relocation payments should be processed; or what office in the Institution should track and monitor reimbursement requests.

We conducted a limited review of relocation expenses by reviewing payroll records, employment agreements, travel documents, and purchase orders in an attempt to

¹¹ We do not compare the trust compensation of museum directors, development officers and other such positions to federal pay levels because those positions generally lack counterparts in the federal sector and require unique skills and experience found primarily in the non-profit and private sectors.

¹² Compensation for administrative executives at other agencies was calculated by adding the average cash award for 2005, per agency, to the established pay plan.

¹³ We note that the Institution's travel policy is to follow the Federal Travel Regulation even for travel funded by trust (i.e., non-appropriated) funds.

identify relocation expenses or bonuses paid to SI executives. We were unable to determine how many newly hired executives received relocation bonuses or had their relocation expenses reimbursed during the scope period, or what the amounts were. We found no standard method for processing these transactions.

We did find that executives may receive relocation bonuses processed via the National Finance Center (NFC), the Institution's automated payroll processor. These payments are reported as additional income and the employee receives a W-2 statement. In the period covered by our audit, we only identified one \$10,000 relocation payment in the NFC system. We also found that the units were processing relocation expenses as purchase orders, or as line items within travel vouchers. We found one example where over \$5,000 in payments for relocation expenses to a single employee were processed using both purchase orders and travel vouchers. We also saw other examples where four executives received over \$47,000 in relocation expenses (temporary lodging, furniture storage, and moving expenses) paid through travel vouchers. Payments processed in this manner are unlikely to be reported as income. It is difficult for the Office of the Controller (OC) to identify payments included in travel vouchers as additional income that should be reported to the employee and the Internal Revenue Service. Consequently, OC does not issue tax information for travel vouchers. Additionally, payments processed with purchase orders were often coded incorrectly, and may not be easily identified as relocation expenses that should be taxed.

There is also no central repository for service agreements, which makes it difficult for the Institution to ensure that individuals have taxes properly withheld and that the Institution has addressed any responsibilities it has for reporting these payments. OC has suggested that these agreements might be in the individual units, if they were indeed signed, but believes that they should instead be filed in the individual's Official Personnel Folder in OHR. The Comptroller also indicated that there may be no documentation available for relocation expenses that were processed prior to the implementation of the current financial system in October 2002.

Because of these concerns, the Institution has directed OC to develop new policies and procedures to govern the granting and recording of relocation bonuses and expenses. We also intend to conduct a separate audit on relocation payments, as we were only able to do a limited review during this audit.

MANAGEMENT RESPONSE

Management's December 14, 2006, response to our draft report agreed with our findings on the Smithsonian's policies and practices regarding federal and trust executive compensation. Management acknowledged our observations regarding relocation bonuses and expenses and agreed that further analysis is needed. As noted in the body of the report, management has initiated efforts to standardize procedures in this area.

In management's view, the report lacked sufficient discussion on the differences between the federal and trust employment systems. Management pointed out that for key federal positions, the Smithsonian is competing not only with federal agencies, but also with the private sector. Moreover, the Institution is unable to raise the pay cap for its Senior Level federal employees, unlike its federal agency counterparts where pay caps can be raised for Senior Executive Service employees. The government-imposed limits on federal salaries complicate a true market-rate comparison with non-federal salaries such as those offered by the Smithsonian Trust.

Management also took issue with our comparison of administrative executive salaries for trust employees to the salaries of federal employees in similar positions, offering four reasons why the comparison is inappropriate. First, federal employment offers rights and protections not available to Smithsonian trust employees; therefore, trust salaries reflect the risk associated with this lack of job security. Second, unlike federal employees, many senior trust employees have significant private sector fundraising responsibilities critical to the Institution. Third, management asserted that our analysis compares senior trust positions that are career-oriented -- and for which compensation is a key factor in employment decisions -- to positions at federal agencies which in some cases are held by political appointees who have relatively brief careers with the government and whose employment choices do not center on compensation alone. Fourth, potential recruits for highly skilled museum, research, and administrative executive positions come mainly from the academic and not-for-profit sectors, and the Institution's Trust salaries in those instances are reasonable when compared to market rates.

We have attached the full text of management's response as Appendix F.

OFFICE OF THE INSPECTOR GENERAL COMMENTS

We appreciate management's views on our report findings and observations. While we agree with management's first point that trust positions lack the job security that federal positions have, we disagree with the remaining three points as they relate to the administrative executive positions we included in our comparison to federal compensation. We purposely limited our comparison to administrative positions and did not include museum director, development, research, or scholar-type trust positions. We understand that such comparisons may be inapt because those positions, for the most part, do not have counterparts in the federal sector; require unique, hard-to-find skills and experience; and some of these employees are expected to raise significant funds for the Institution in addition to their fulfilling their programmatic responsibilities.

However, those arguments do not hold for administrative executive positions at the Institution. The majority of the Institution's administrative positions, such as the Chief Financial Officer, General Counsel, Chief Information Officer, and Director of Human Resources do not have fundraising as a critical component of their performance plans. Moreover, incumbents for some of these positions (such as Chief Information Officer and Director of Human Resources) at most federal agencies are career employees, not short-term political appointees, as indicated in management's response.

On management's final point, in our opinion, the talent pool for administrative skills is considerably wider than just the academic and not-for-profit sectors. Individuals filling these positions in federal agencies are highly credentialed experts with substantial experience in their respective fields. One could easily make the argument that since many of the federal agencies have budgets and staff that greatly exceed the Smithsonian's, as well as responsibility for extremely complex programs with global import, it is reasonable to compare the trust salary packages for those administrative positions with their federal counterparts.

Finally, as noted earlier, we plan to issue a detailed audit report this spring on relocation bonuses and expenses at the Institution.

APPENDIX A. SCOPE AND METHODOLOGY

We reviewed Smithsonian Institution philosophy, policies, and procedures for determining compensation levels for federal and trust executives and senior managers for fiscal years 2000 to 2006.

To determine how the Smithsonian establishes compensation for its executives, we interviewed management staff from the Office of Human Resources; Office of Planning, Management, and Budget; Office of the Deputy Secretary and Chief Operating Officer; and Office of the Secretary.

We met with consultants contracted by the Smithsonian to conduct compensation studies of senior executives. We reviewed the 2002, 2004, and 2006 reports prepared by outside consultants to determine recommendations made to the Institution regarding executive compensation and to determine whether Institution executives were paid in accordance with those recommendations. We assessed how the Office of the Secretary, the Office of the Deputy Secretary and Chief Operating Officer, and the Office of Human Resources (OHR) oversee the compensation process. We also reviewed Smithsonian Board of Regents' meeting minutes to determine what information was submitted to the Board of Regents and their committees for approval.

To determine the number of senior executives and managers at the Institution and their compensation, we reviewed payroll data from OHR for fiscal years 2000 to 2006. For each executive, we ascertained: salary for the fiscal year, as well as any other compensation, such as cash awards; retention, relocation, and recruitment bonuses; and benefits. We verified this information to payroll information from the National Finance Center, which provides automated payroll services to the Smithsonian for both federal and trust employees. We also verified cash awards to supporting documentation for a sample of executives.

We identified the 10 most highly compensated executives and reviewed their performance plans and performance evaluations for fiscal years 2003 to 2005 to determine the basis for salary increases and other performance awards. We also selected a sample of 17 federal and trust executives and reviewed their performance plans and evaluations for 2005 to determine the basis for salary increases and other performance awards. We compared compensation for key administrative positions to compensation of equivalent positions in the federal sector at a judgmentally selected sample of large federal agencies in terms of salary, bonus, number of staff, and budgeted dollars. We reviewed the U.S. Office of Personnel Management (OPM) Comparison of Total Civilian Employment of the Federal Government by Branch, Agency, and Area as of April and May 2005; the OPM Report on Senior Executive Pay for Performance for FY 2005 (issued July 2006); and data from the Office of Management and Budget. We also reviewed compensation levels at selected federal entities, such as the National Science Foundation and the National Institutes of Health, based on information available on their websites as well as information obtained from the U.S. Code.

To determine whether Smithsonian executive compensation was in the same range as at other non-profit organizations, we judgmentally selected for review 11 non-profit organizations with relatively broad public reach and with annual revenues under \$950 million. We obtained compensation information for those organizations from their IRS Form 990s for the three most recent years, or additional years through 1999 if the information was readily available. The total compensation information we gathered included salaries, contributions to employee benefit plans and deferred compensation, and expense accounts and other allowances.

We reviewed the Institution's Travel Manuals covering the audit period for relocation policies, and interviewed staff in the Office of the Comptroller to ascertain how those policies were implemented. We conducted a limited review of payroll records, employment agreements, travel documents, and purchase orders to identify relocation payments.

We conducted this audit in Washington, D.C. from April through November 2006 in accordance with *Government Auditing Standards* as prescribed by the Comptroller General of the United States and included tests of internal controls as we considered necessary.

APPENDIX B. TOTAL COMPENSATION OF FEDERAL EXECUTIVES, 2000 TO 2006

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	\$152,684	\$158,439	\$165,866	\$171,008	\$177,199	\$181,175	\$190,000
[REDACTED]	124,814	129,819	137,469	140,442	155,310	178,677	189,160
[REDACTED]	116,845	123,797	127,088	136,006	144,600	164,200	188,800
[REDACTED]				139,097	145,600	161,700	184,800
[REDACTED]			125,972	129,874	143,163	161,700	184,800
[REDACTED]	130,200	133,700	141,200	142,500	149,600	158,700	184,600
[REDACTED]			130,972	129,874	143,163	164,200	183,800
[REDACTED]							182,400
[REDACTED]				127,626	137,134	155,990	180,213
[REDACTED]	146,112	152,555	157,700	162,600	166,135	169,979	174,800
[REDACTED]				137,481	151,241	154,200	171,620
[REDACTED]	130,200	133,700	138,200	142,500	144,937	149,200	161,200
[REDACTED]						149,200	161,000
[REDACTED]	125,114	142,700	139,100	148,175	152,775	180,100	159,500
[REDACTED]							159,238
[REDACTED]	121,849	130,491	132,531	145,194	145,600	149,200	158,798
[REDACTED]	122,987	133,200	153,200	144,500	146,730	154,200	157,000
[REDACTED]	123,699	131,412	134,544	138,715	144,600	149,200	157,000
[REDACTED]	130,200	138,700	138,200	149,000	149,600	154,200	156,700

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]					143,000	149,200	156,700
[REDACTED]							155,000
[REDACTED]					137,600	137,600	154,621
[REDACTED]	122,811	127,490	133,578	137,718	146,689	151,384	154,238
[REDACTED]			145,200	142,484	144,600	151,384	154,238
[REDACTED]	129,633	133,700	138,200	142,500	144,600	149,200	154,238
[REDACTED]	123,368	128,069	134,184	138,343	144,104	149,149	154,238
[REDACTED]				132,269	140,074	148,478	154,238
[REDACTED]	122,681	127,601	136,892	138,043	149,600	158,700	154,200
[REDACTED]	130,200	133,700	141,200	142,500	149,600	158,700	154,200
[REDACTED]	125,135	130,153	139,070	140,804	148,600	154,000	154,200
[REDACTED]	124,814	129,819	137,719	141,805	147,000	152,200	154,200
[REDACTED]	126,361	131,428	138,908	142,183	147,000	152,200	154,200
[REDACTED]	130,200	133,700	138,200	142,500	145,600	152,200	154,200
[REDACTED]	120,867	125,715	134,913	136,002	143,488	151,100	154,200
[REDACTED]	122,242	127,144	133,413	137,549	145,120	150,500	154,200
[REDACTED]	119,269	124,052	132,168	136,156	145,050	149,200	154,200
[REDACTED]	125,923	134,721	130,721	136,006	143,610	149,200	154,000
[REDACTED]	119,321	123,868	129,782	133,805	141,284	146,230	153,453
[REDACTED]	102,001	110,000	125,000	136,526	145,600	149,200	153,394
[REDACTED]	117,388	122,095	131,115	134,008	144,885	148,195	153,183

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	117,388	122,095	130,115	133,368	142,359	147,343	152,288
[REDACTED]	125,135	130,153	137,570	140,804	145,600	152,000	152,000
[REDACTED]	129,394	141,700	138,200	144,500	147,600	149,200	152,000
[REDACTED]		130,042	136,251	140,475	144,600	149,200	152,000
[REDACTED]	126,651	131,477	137,755	142,026	144,600	149,200	152,000
[REDACTED]	123,774	128,736	136,084	135,084	143,018	149,200	152,000
[REDACTED]						149,200	152,000
[REDACTED]	124,566	129,312	135,486	139,687	144,600	148,877	152,000
[REDACTED]				135,545	141,523	148,599	152,000
[REDACTED]	118,004	122,736	128,788	132,780	140,089	146,694	152,000
[REDACTED]	117,388	122,095	129,865	132,086	141,107	145,929	152,000
[REDACTED]	117,388	122,095	128,115	132,086	139,357	145,929	152,000
[REDACTED]	117,388	122,095	129,615	132,086	139,357	145,929	152,000
[REDACTED]	117,388	122,095	128,115	132,086	139,357	145,929	152,000
[REDACTED]					139,355	145,926	152,000
[REDACTED]	116,735	121,415	127,402	131,352	138,582	145,117	152,000
[REDACTED]	116,574	121,250	130,228	131,172	142,392	144,918	152,000
[REDACTED]	126,750	131,579	138,200	142,484	144,937	148,198	151,814
[REDACTED]	116,311	120,975	128,939	130,875	140,079	144,590	151,732
[REDACTED]	116,311	120,975	128,689	130,875	139,579	144,590	151,732
[REDACTED]	119,321	123,868	129,782	135,317	142,377	146,347	151,382

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	115,977	120,628	126,576	130,500	137,683	144,176	151,298
[REDACTED]	137,700	138,700	140,700	143,800	144,937	149,200	151,200
[REDACTED]						145,001	150,818
[REDACTED]	116,154	120,296	125,738	129,636	136,580	143,149	150,220
[REDACTED]							150,001
[REDACTED]			125,594	136,540	150,876	159,200	149,200
[REDACTED]	120,867	125,715	131,913	131,913	139,174	143,904	148,854
[REDACTED]				129,284	134,705	141,056	148,024
[REDACTED]					147,500	147,488	147,488
[REDACTED]			120,000	123,721	130,637	138,475	147,477
[REDACTED]	115,594	119,999	125,728	129,626	135,024	139,750	146,653
[REDACTED]					134,581	141,311	146,172
[REDACTED]		117,973	123,606	127,437	134,562	139,272	146,152
[REDACTED]			115,251	122,166	130,961	141,320	145,761
[REDACTED]							144,362
[REDACTED]	110,141	114,337	129,000	128,500	130,000	139,295	144,000
[REDACTED]		121,998	121,998	127,206	134,317	139,018	143,800
[REDACTED]					132,039	137,591	143,325
[REDACTED]	117,502	121,978	127,803	131,765	135,373	142,143	143,222
[REDACTED]							141,355
[REDACTED]	109,921	114,109	119,558	123,265	132,014	136,635	141,335

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	114,500	117,600	121,600	125,400	130,030	134,635	141,286
[REDACTED]							140,563
[REDACTED]			111,072	120,558	128,573	137,381	140,250
[REDACTED]							140,000
[REDACTED]					112,699	120,553	139,419
[REDACTED]			125,000	125,000	132,716	133,571	138,166
[REDACTED]					145,000	130,000	138,073
[REDACTED]							136,954
[REDACTED]						132,224	136,774
[REDACTED]					127,497	133,871	136,499
[REDACTED]	83,945	88,648	98,025	101,020	99,520	133,000	136,282
[REDACTED]						127,497	135,372
[REDACTED]	101,566	105,437	111,472	115,553	123,766	128,116	134,445
[REDACTED]							132,965
[REDACTED]							132,675
[REDACTED]						124,736	129,027
[REDACTED]						124,736	129,024
[REDACTED]	104,203	107,016	111,000	111,555	116,039	118,940	126,438
[REDACTED]	100,269	104,089	109,473	110,995	116,936	121,031	125,194
[REDACTED]	104,203	107,016	109,000	109,000	111,747	114,541	116,946
[REDACTED]	93,138	95,652	100,000	105,000	109,221	111,952	115,534

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]			103,000	104,545	108,748	109,860	112,167
[REDACTED]	100,799	100,799	104,000	104,000	108,181	109,287	111,582
[REDACTED]					104,927	107,970	111,425
[REDACTED]		136,782	167,508	172,707	175,783	179,193 ⁺	
[REDACTED]					137,310	161,616	
[REDACTED]	130,200	136,200	143,200	147,500	154,600	159,200	
[REDACTED]	125,135	130,153	136,570	140,804	145,600	152,200	
[REDACTED]	124,814	129,819	137,469	140,442	145,600	151,700	
[REDACTED]				138,481	141,254	149,200	
[REDACTED]	116,069	120,723	128,175	130,602	139,191	144,289	
[REDACTED]	123,523	130,029	134,352	138,517	142,478	144,203	
[REDACTED]	117,095	121,556	127,360	131,309	138,650	143,503	
[REDACTED]	104,944	108,943	114,144	115,857	122,000	129,400	
[REDACTED]	103,904	107,862	112,823	113,897	120,278	124,736	
[REDACTED]	130,200	142,700	139,100	148,175	160,275 ⁺		
[REDACTED]	137,088	150,784	145,600	150,080	152,320 ⁺		
[REDACTED]	125,135	130,153	138,070	140,804	145,600		
[REDACTED]	130,200	133,700	138,200	142,500	144,600		
[REDACTED]	125,135	130,153	136,570	140,804	142,500		
[REDACTED]	116,628	131,628	128,064	132,034	139,415		
[REDACTED]					136,987		

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	117,140	121,604	127,409	131,359	132,844		
[REDACTED]					132,839		
[REDACTED]				118,684	129,975		
[REDACTED]	115,053	119,436	124,930	124,930	128,503		
[REDACTED]	112,696	116,989	123,370	122,370			
[REDACTED]			110,472	115,184			
[REDACTED]	112,696						
[REDACTED]	115,053	119,436	129,930	130,259			
[REDACTED]	115,171	119,559	125,268				
[REDACTED]	127,724	132,590	138,200				
[REDACTED]	119,674						
[REDACTED]	124,623						
[REDACTED]	115,171	119,559					
[REDACTED]	111,646						
[REDACTED]			138,200 ⁺				
[REDACTED]	110,139	123,036	142,107				
[REDACTED]	111,558	125,261	128,972				
[REDACTED]	130,200						
[REDACTED]	115,530	116,780					
[REDACTED]	101,671	105,544					

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]		123,000	128,873	144,370			
[REDACTED]	126,211	136,019	137,275				
[REDACTED]	111,865						
[REDACTED]	117,199	129,000					
[REDACTED]	135,200	133,700					
[REDACTED]	126,944	136,781	138,074				
[REDACTED]	130,200						
[REDACTED]	128,514	133,410					
[REDACTED]			101,096	104,230			
[REDACTED]	125,357	135,133	138,200	146,500			
[REDACTED]	123,614	128,571	136,410				
[REDACTED]	130,200	133,700	138,200	142,500			
[REDACTED]		105,437					
[REDACTED]	125,135						
TOTAL COMPENSATION (See Note)	12,126,117	12,414,181	13,572,802	13,903,365	15,340,124	15,397,881	15,933,495

Note: Total compensation includes approved salary for calendar year plus any retention, recruitment, and relocation bonuses, as well as any cash awards received during the year. Total compensation excludes other benefits, such as health insurance, life insurance, and pension contributions.

*Federal executives who resigned or retired and were rehired as trust executives in the same position.

APPENDIX C. TOTAL COMPENSATION OF TRUST EXECUTIVES, 2000 TO 2006*

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
Lawrence M. Small Secretary	\$536,100	\$711,600	\$745,543	\$768,656	\$802,553	\$850,705	\$884,733
Edwin L. Rifkin Under Secretary for Art			393,250	386,750	410,000	430,000	440,000
Sheila P. Burke Deputy Secretary and Chief Operating Officer	207,000	240,000	265,000	291,500	320,000	370,000	400,000
David L. Evans Under Secretary for Science			225,000	225,000	250,000	300,000	315,000
Virginia B. Clark Director of External Affairs			285,000	250,000	265,000	285,000	300,000
Alice C. Maroni Chief Financial Officer		200,000	215,000	234,350	250,000	265,000	278,250
W. Richard West Jr. Director National Museum of the American Indian	170,000	190,000	205,000	218,325	232,516	255,767	268,555
[REDACTED]	157,000	190,000	205,000	218,325	231,425	245,310	257,428
Paul Thompson Director Cooper-Hewitt National Design Museum		200,000	198,366	189,366	231,000	215,000	253,330
Dennis R. Shaw Chief Technology Officer (resigned 9/06)		190,000	204,000	215,000	225,000	236,250	245,700
[REDACTED]			199,800	207,360	217,000	230,000	239,200
[REDACTED]				200,000	214,000	225,000	235,125
[REDACTED]			200,000	203,000	213,150	223,808	232,760
[REDACTED]				195,000	208,650	221,169	232,227
John E. Huerta General Counsel Office of the General Counsel	149,015	175,000	188,000	200,032	209,000	222,000	230,000
[REDACTED]						228,000	225,000
[REDACTED]							225,000
[REDACTED]						195,000	220,000
[REDACTED]				175,000	182,718	200,000	216,000
[REDACTED]	160,000	160,000	172,000	188,180	194,171	203,880	214,074

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	160,000	166,000	195,000	220,800	200,340	205,000	211,000
[REDACTED]	160,000	166,500	174,825	185,315	198,287	203,000	210,000
[REDACTED]						205,000	210,000
[REDACTED]					200,000	200,000	209,880
[REDACTED]		155,000	170,000	176,970	184,000	198,200	207,860
[REDACTED]	134,534	155,000	162,000	174,150	186,341	195,659	205,445
[REDACTED]						200,000	205,000
[REDACTED]						195,000	204,750
[REDACTED]				196,000	195,600	200,000	202,000
[REDACTED]	138,521	150,521	156,000	165,048	174,000	183,000	190,000
[REDACTED]						172,000	189,200
[REDACTED]	130,000	140,000	158,000	166,690	175,000	182,000	188,000
[REDACTED]	139,507	144,822	151,671	156,373	165,053	171,686	182,400
[REDACTED]	127,000	139,000	143,100	151,686	162,304	172,042	179,784
[REDACTED]			140,000	148,400	158,046	167,529	175,905
[REDACTED]	110,000	112,500	130,000	137,200	144,705	175,000	175,780
[REDACTED]					160,000	169,600	174,688
[REDACTED]	135,000	146,750	148,271	152,867	162,039	170,141	174,531
[REDACTED]			118,000	132,441	143,610	165,790	173,830
[REDACTED]	122,000	137,000	139,500	147,173	157,475	165,349	173,616

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]		133,700	140,000	152,000	165,800	169,100	172,420
[REDACTED]							170,000
[REDACTED]	132,000	132,000	137,280	144,487	153,012	160,663	166,190
[REDACTED]					150,000	157,500	163,013
[REDACTED]	120,000	124,572	130,302	135,302	144,743	154,307	160,831
[REDACTED]	130,000	134,953	141,161	145,537	149,903	155,150	160,487
[REDACTED]					155,000	155,000	160,000
[REDACTED]		120,000	124,000	130,500	137,000	143,600	159,391
[REDACTED]		120,000	120,000	125,000	130,280	140,202	156,950
[REDACTED]			135,000	139,185	145,323	150,409	155,583
[REDACTED]				145,000	142,659	147,293	154,736
[REDACTED]	117,786	125,509	131,549	136,703	142,329	146,423	154,500
[REDACTED]	121,639	129,517	135,755	141,595	146,405	150,700	154,200
[REDACTED]							154,160
[REDACTED]							154,160
[REDACTED]							153,751
[REDACTED]	118,822	123,587	131,181	133,701	142,561	147,712	152,675
[REDACTED]					139,500	143,461	152,548
[REDACTED]	130,200	133,700	138,200	138,200	138,200	149,200	152,000
[REDACTED]							152,000
[REDACTED]	108,000	120,000	125,724	132,010	138,611	144,848	151,946

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	116,813	121,497	127,488	131,440	138,675	143,388	150,470
[REDACTED]				140,000	142,500	146,300	150,323
[REDACTED]						150,000	150,000
[REDACTED]							150,000
[REDACTED]			125,000	130,000	135,262	142,026	149,127
[REDACTED]		120,000	125,000	128,875	135,000	141,750	148,696
[REDACTED]						141,910	146,752
[REDACTED]							145,000
[REDACTED]						145,000	144,200
[REDACTED]					130,000	136,500	144,144
[REDACTED]		89,277	93,536	105,000	104,100	117,476	143,085
[REDACTED]		120,000	120,000	123,720	131,032	139,634	142,859
[REDACTED]		115,000	115,000	124,050	135,000	137,750	140,681
[REDACTED]	140,000	140,000	140,000	140,000	140,000	140,000	140,000
[REDACTED]			110,472	113,897	125,731	131,682	139,583
[REDACTED]						134,323	139,323
[REDACTED]							136,500
[REDACTED]					125,000	131,250	135,713
[REDACTED]	90,000	100,000	108,000	115,020	123,000	130,000	135,000
[REDACTED]		135,000	141,210	145,588	152,867	160,510	135,000

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]						125,000	133,750
[REDACTED]	110,535	114,746	114,746	119,645	126,321	127,849	132,196
[REDACTED]	100,000	103,810	108,762	114,200	119,910	125,905	130,941
[REDACTED]		110,000	110,000	118,410	121,348	127,415	130,702
[REDACTED]						124,878	130,000
[REDACTED]						124,500	127,115
[REDACTED]	100,000	115,000	109,200	117,585	119,340	124,710	125,957
[REDACTED]					120,000	120,000	125,928
[REDACTED]				120,000	120,000	123,000	125,583
[REDACTED]							120,000
[REDACTED]		110,000	110,000	113,410	116,812	117,980	
[REDACTED]	110,858	119,685	125,580	129,473	136,600	143,041	
[REDACTED]				142,500	142,500	145,706	
[REDACTED]	117,386	124,093	130,113	135,747	141,355	145,926	
[REDACTED]				175,000	177,993	177,993	
[REDACTED]		95,000	99,817	102,911	102,911		
[REDACTED]	103,362	107,300	112,665	118,158	121,966		
[REDACTED]					135,000		
[REDACTED]		130,000	130,000	134,030	141,938		
[REDACTED]	130,200	133,700	138,200	138,200	145,600		
[REDACTED]	122,361	140,000	142,500	151,050	151,050		

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	131,545	141,410	148,155	152,748	155,360		
[REDACTED]	116,000	138,000	130,963	160,000	164,800		
[REDACTED]			170,000	170,000	175,100		
[REDACTED]	130,000	150,000	165,000	180,000	187,200		
[REDACTED]	165,000	165,000	172,590	181,590	192,485		
[REDACTED]		175,000	183,050	193,118	202,774		
Thomas W. Lentz Director International Art Museum Divisions	155,000	175,000	210,000	225,000	225,000		
[REDACTED]	143,349	150,549	155,969	90,764			
[REDACTED]				110,000			
[REDACTED]	113,897	113,897	113,897	113,897			
[REDACTED]	119,334	119,334	119,334	119,334			
[REDACTED]	115,000	113,001	118,200	121,200			
[REDACTED]				125,000			
[REDACTED]	133,650	138,742	141,517	145,904			
[REDACTED]	137,000	137,000	142,480	146,754			
[REDACTED]		157,000	180,000	185,292			
[REDACTED]	93,500	97,062	102,304				
[REDACTED]	120,000	120,000	120,000				
[REDACTED]	116,000	118,500	120,176				
[REDACTED]	110,000	114,191	120,191				

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	120,753	125,354	126,775				
[REDACTED]	120,000	124,572	127,500				
[REDACTED]	125,000	121,900	129,000				
[REDACTED]	130,000	130,000	130,000				
[REDACTED]	120,681	129,279	132,779				
[REDACTED]	145,000	120,000	142,200				
[REDACTED]	165,000	181,500	171,500				
Robert D. Bailey <i>Under Secretary for Finance and Administration</i>	207,000	220,000	225,000				
Dennis J. O'Connor <i>Provost</i>	207,000	220,000	225,000				
[REDACTED]	100,000	105,000					
[REDACTED]	110,000	117,691					
[REDACTED]	115,000	119,382					
[REDACTED]	130,200	133,700					
[REDACTED]	135,000	135,000					
Rick R. Johnson <i>Chief Financial Officer Office of the Chief Financial Officer</i>	139,990	139,990					
[REDACTED]	139,571	144,889					
[REDACTED]	150,000	150,000					
[REDACTED]	155,000	155,000					
[REDACTED]	163,000	163,000					
[REDACTED]	170,000	175,000					

Name Title Organization	2000	2001	2002	2003	2004	2005	2006
[REDACTED]	188,000	188,000					
James T. Demetrian Director Hirshhorn Museum and Sculpture Garden	195,000	195,000					
[REDACTED]	116,700						
[REDACTED]	111,500						
[REDACTED]	115,000						
[REDACTED]	89,100						
[REDACTED]	121,000						
[REDACTED]	140,000						
Constance B. Newman Under Secretary	207,000						
TOTAL COMPENSATION (See Note)	\$10,986,409	\$13,229,282	\$13,938,347	\$14,224,687	\$15,005,839	\$15,736,855	\$17,216,220

*Excludes Smithsonian Business Ventures executives.

Note: Total compensation includes approved salary for calendar year plus any retention, recruitment, and relocation bonuses, as well as any cash awards received during the year. Total compensation excludes other benefits, such as health insurance, life insurance, and pension contributions.

APPENDIX D. COMPARISON OF EXECUTIVE COMPENSATION AT SELECTED NON-PROFIT ORGANIZATIONS AS REPORTED ON IRS FORMS 990

Organization	Title	Compensation	Other	Total	Notes
Smithsonian Institution 2005	Secretary	561,952	161,841	723,793	1
	Under Secretary - Arts	417,674		417,674	
	Deputy Secretary	353,429		353,429	
	Under Secretary - Science	284,706		284,706	
	Director, External Affairs	278,954		278,954	
	Chief Financial Officer	260,557		260,557	
	Museum Director	247,815		247,815	
	Chief Information Officer	233,006		233,006	
The Nature Conservancy 2005	President & Chief Executive Officer	371,539	1,499	373,038	2
	Chief Administrative Officer	237,692	486	238,178	
	Chief Information Officer	215,811	459	216,270	
	Chief Financial Officer	212,657	676	213,333	
	Managing Director, Human Resources	374,630	650	375,280	
American Association of Retired Persons (AARP) 2004	Chief Executive Officer	552,670	14,647	567,317	3
	Chief Operating Officer	489,013	1,647	490,660	
	Chief Communications Officer	337,993		337,993	
	Chief Financial Officer	267,126	332	267,458	
Public Broadcasting Service (PBS) 2005	President & Chief Executive Officer	561,708	32,861	594,569	4
	Chief Operating Officer	367,712	11,016	378,728	
	Senior Vice President, Chief Financial Officer & Treasurer	281,608	5,868	287,476	
National Geographic Society 2004	President & Chief Executive Officer	1,040,698		1,040,698	5
	Executive Vice President & Secretary	553,750		553,750	
	Executive Vice President & Chief Financial Officer	470,671		470,671	
The Museum of Modern Art 2005	Director/Ex-Officio Trustee	875,301	90,929	966,230	6
	Executive Director, Construction	792,702		792,702	
	Chief Operating Officer/Assistant Treasurer	687,786		687,786	
	Deputy Director of External Affairs	687,786		687,786	
The Metropolitan Museum of Art 2004	Director & Chief Executive Officer	552,078	247,752	799,830	7
	President	445,404	127,656	573,060	
	Chief Investment Officer & Treasurer	401,672	552	402,224	
	Senior Vice President & Chief Financial Officer	303,024		303,024	
	Senior Vice President for External Affairs	303,024	552	303,576	
Wildlife Conservation Society 2005	President & Chief Executive Officer	455,180	139,400	594,580	8
	Senior Vice President, Public Affairs	290,524	12,000	302,524	
	Executive Vice President & Chief Financial Officer	263,182		263,182	
National Public Radio, Inc. (NPR) 2004	President & Chief Executive Officer	349,773	9,691	359,464	9
	Executive Vice President	227,462		227,462	
	Vice President & Chief Financial Officer	148,595		148,595	
The John F. Kennedy Center for the Performing Arts 2005	President	1,029,691		1,029,691	10
	Executive Vice President	287,867		287,867	
	Chief Financial Officer	214,797		214,797	
National Gallery of Art 2004	Director	456,444	49,908	506,352	11
	Deputy Director	309,244	28,030	337,274	
	External Affairs Officer	257,277	27,294	284,571	
	Administrator	249,603	28,030	277,633	
The United States Holocaust Memorial Museum 2005	Museum Director	387,689	362	388,051	12
	Staff Chief	159,736		159,736	
	Chief Financial Officer	151,736		151,736	
	Chief Operating Officer	99,726		99,726	

DEFINITIONS

"Compensation" includes: salary, fees, bonuses, severance payments paid, and current-year payments of deferred compensation. "Other" includes fringe benefits and expense allowances and reimbursements that must be reported as income. Information is from the most recent Form 990 that was readily available.

Form 990 compensation is prepared on a "cash" basis where compensation is included in the year received. Total compensation in this table does not agree exactly to compensation listed elsewhere in this report due to differences in the timing of payments. Additionally, the Secretary receives a pension payment that is not included in this table since pension benefits were not included in the Form 990 review.

NOTES

1. The Secretary's "other" is a housing allowance.
2. The President's compensation includes a base salary of \$296,539 plus \$75,000 to defray housing costs. The President's "other" is primarily related to group term life.
3. The CEO also had \$176,676 allocable to a deferred compensation plan. The CEO's "other" includes income imputed to him for group term life and for the personal use of an automobile. The "other" for the additional employees includes income imputed for group term life.
4. The COO and Deputy Director's compensation includes a retention bonus plan.
5. The Director's compensation includes \$21,000 in deferred compensation. The Director's and President's "other" is primarily housing-related.

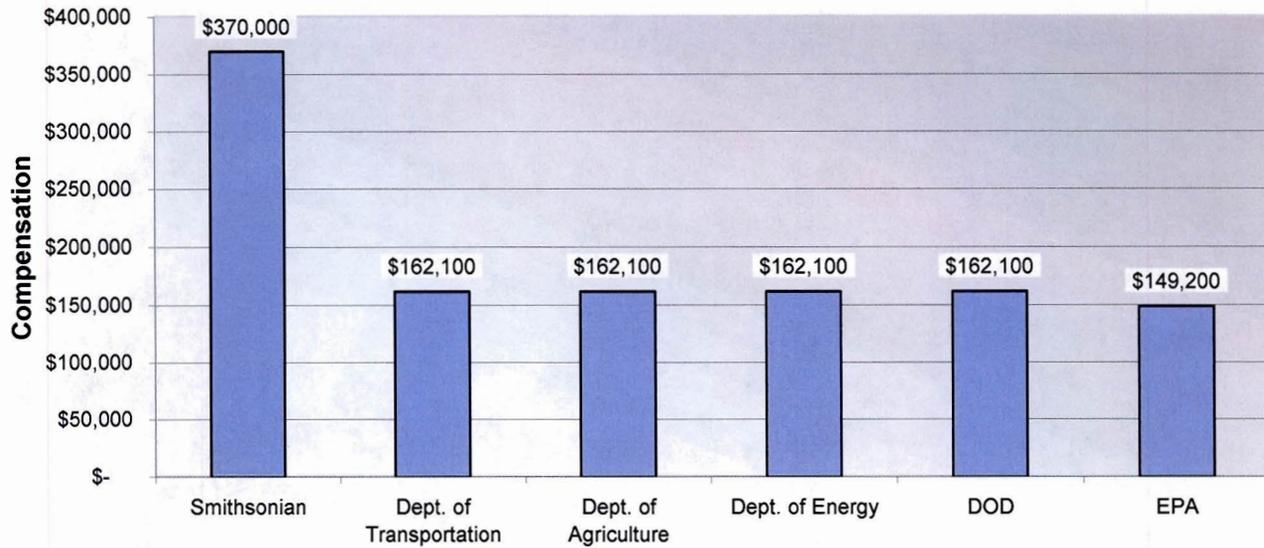
APPENDIX E. COMPARISON OF COMPENSATION LEVELS OF SELECTED SMITHSONIAN EXECUTIVE POSITIONS WITH SIMILAR POSITIONS AT SELECTED FEDERAL AGENCIES

Trust executives in administrative positions were paid more than their counterparts at larger agencies with considerably more staff and larger budgets. In three instances (in 2005), trust employees were paid 73 to 130 percent more than their federal counterparts.

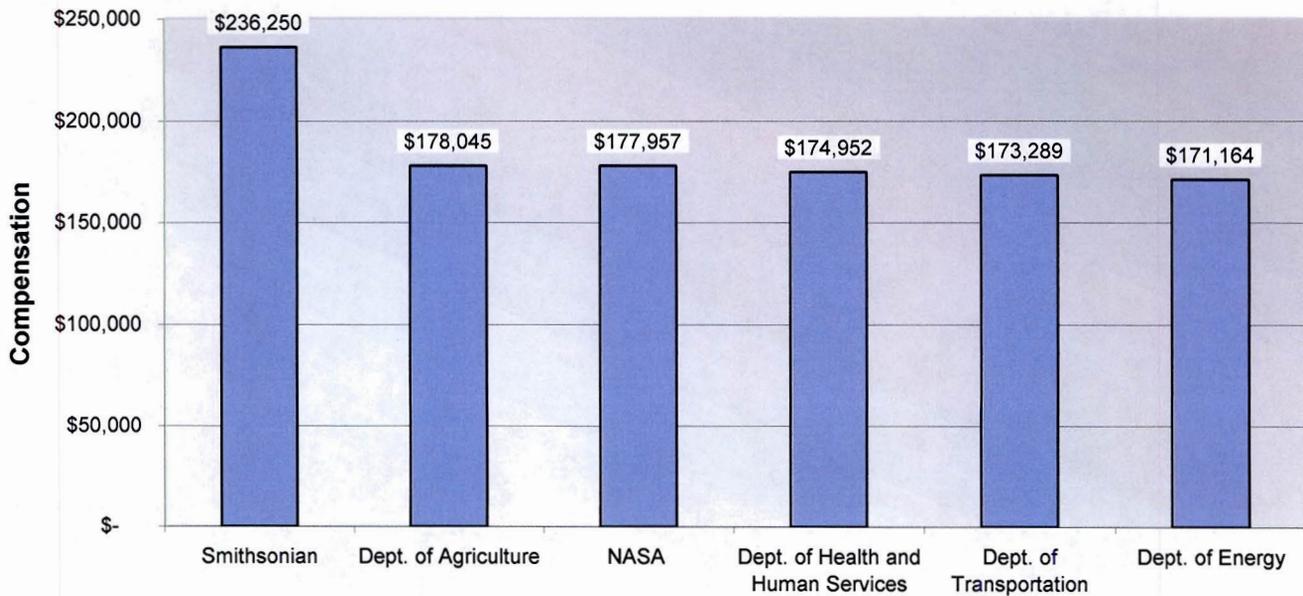
For comparison, we examined the total compensation of administrative positions at several larger federal agencies for fiscal year 2005. The four charts on the following pages depict the salary levels of the Deputy Secretary, Chief Information Officer, Chief Financial Officer, and Director of Human Resources at the Smithsonian and at representative larger agencies. The figures are based on salaries plus average fiscal year 2005 bonuses given to Senior Executive Service members.

In terms of size, the agencies we selected for comparison ranged from approximately 4,400 employees (Department of Education) to 672,000 employees (Department of Defense) and had budgets of \$5.7 billion (Department of Commerce) to \$411.9 billion (Department of Labor). The Smithsonian has about 6,000 employees and an annual budget of below \$1 billion (combined federal appropriations and trust monies). The following charts represent a sample of the agencies selected.

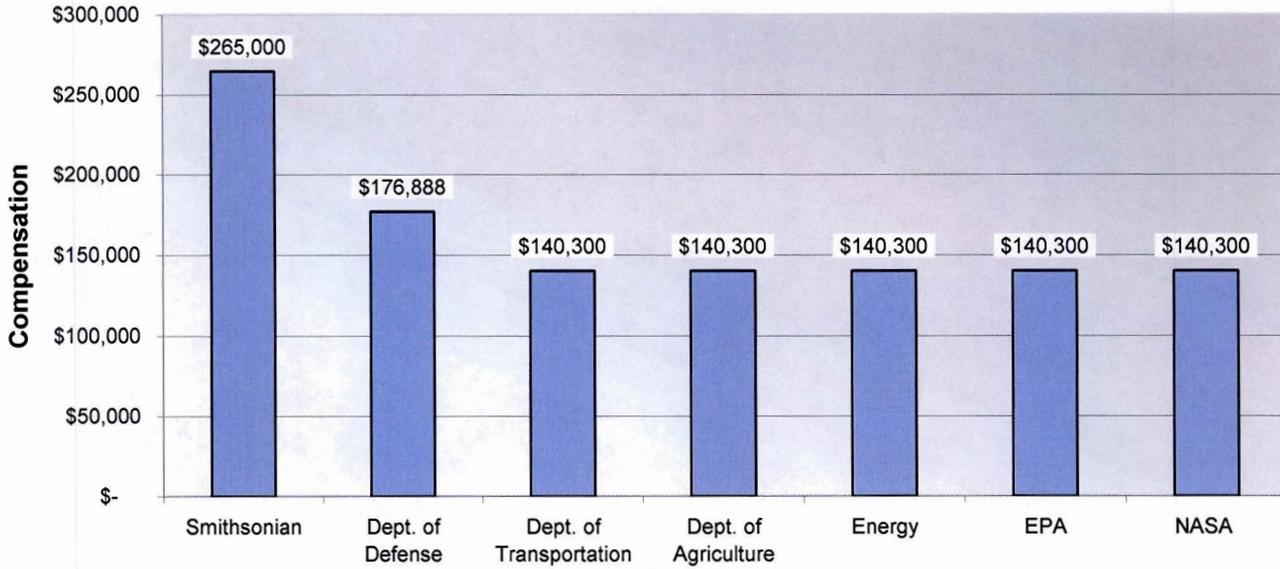
Comparison of Compensation Levels, FY 2005 Deputy Secretary



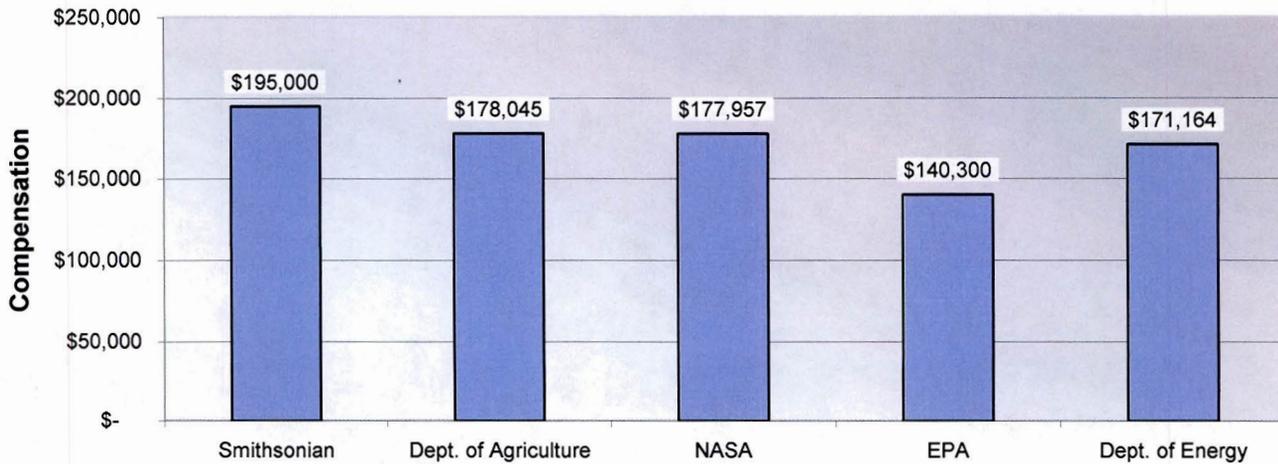
Comparison of Compensation Levels, FY 2005 Chief Information Officer



**Comparison of Compensation Levels, FY 2005
Chief Financial Officer**



**Comparison of Compensation Levels, FY 2005
Director of Human Resources**



APPENDIX F. MANAGEMENT RESPONSE



Smithsonian Institution

Memo

Sheila P. Burke
Deputy Secretary and Chief Operating Officer

To: A. Sprightley Ryan
Acting Inspector General

From: Sheila Burke

Date: December 14, 2006

Re: Audit of Executive Compensation at the Smithsonian Institution

Thank you for the opportunity to review the draft report on the audit of the Institution's executive compensation process. As the report notes, much progress has been made in this area since 2000, and we are pleased that many of the practices and procedures that have been implemented since that time have resulted in a more rigorous and disciplined compensation process.

In sum, we agree with the report's findings on the Smithsonian's policies and practices regarding Federal and Trust executive compensation. However, we take issue with some of the analysis that accompanies these findings, in particular the report's lack of emphasis on the important and necessary differences between the Federal and Trust employment systems. We discuss these differences in the context of our specific comments below.

Federal Executive Pay

We are pleased that the report compares the Smithsonian's federal positions with other Federal positions across the government. As you know, executive compensation is best analyzed by comparing similarly situated positions. As Federal employees in executive positions at other agencies have similar duties, with similar job protections and entitlements, it is appropriate to compare the Institution's Federal executives to other Federal positions.

The challenges the Institution faces in retaining and rewarding its federal employees are well-stated in the report. However, we would like to clarify that even with a certified performance appraisal system, the Institution would not be able to raise the pay cap for its Senior Level (SL) positions. Legislation provides agencies with the ability to raise the pay cap for Senior Executive Service (SES)

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members¹ provided an agency has a certified performance appraisal system; agencies do not, however, have the ability to raise the pay cap for SL employees. While similar in some ways, there are some key differences between SES and SL pay administration, and the pay cap is one of those key differences.

One omission in the analysis of federal executive pay is the recognition that the Smithsonian is competing not only with other federal agencies, but also with the private sector for skilled employees. In many cases, the differences in pay between federal and non-federal positions are substantial, especially in highly competitive sectors such as information technology. President Bush recently recognized this large differential when he issued his November 30, 2006, letter to Congress concerning locality pay.² The government-imposed limits on Federal salaries complicate a true market rate comparison with non-Federal salaries such as those offered by the Smithsonian Trust. This problem is even more pronounced in the competition for Trust employees which is discussed in more detail below.

Trust Executive Pay

The Institution believes it is inappropriate to compare the salaries of Trust employees to the salaries of Federal employees because these two employment systems have inherent differences that were not adequately explained in the report.

By design, Federal employment offers rights and protections that are not available to Smithsonian Trust employees. Senior Trust employees, such as museum directors and the heads of large departments, serve at the pleasure of the Secretary and the Board of Regents and may be removed from those positions without the required administrative procedures needed to remove Federal employees. The Institution often chooses to place senior managers in Trust rather than Federal positions because the Trust system offers greater flexibility in making personnel changes without incurring undue costs, in terms of time, money, and disruption to the work environment. Since the "at-will" nature of Trust employment involves more risk to the individual, Trust employees may receive higher compensation to make up for this lack of job security.

Moreover, in specific cases, senior Trust employees have very significant private sector fundraising responsibilities that are critical parts of their jobs. These Trust-related activities are essential to the financial soundness of the Institution and have made possible some of the Smithsonian's recent successes such as the building of the National Air and Space Museum's Steven F. Udvar-Hazy Center

¹ The Office of Personnel Management determined that the Institution was not covered by the legislation creating the Senior Executive Service, and thus the Institution uses the Senior Level designation for its senior Federal management.

² President Bush noted that, overall, Federal employees should receive a pay increase of "about 8.6 percent" to bring them into pay parity with non-Federal employees. However he stated that the \$8.8 billion cost of funding this increase would "interfere with the Nation's ability to pursue the war on terrorism."

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and the acquisition of the National Portrait Gallery's "Lansdowne" portrait of George Washington. Senior level Trust employees, such as the Smithsonian's top management and its Museum directors, are personally responsible for raising millions of dollars in funds for exhibitions, programs, and building improvements, a responsibility not borne by federal employees unless permitted by statute. It is noteworthy that the Smithsonian has raised over \$1 billion in private sector funds since 2000, more than the cumulative amount raised from the private sector by the Institution in the previous 153 years.

The report goes on to compare our senior Trust positions to positions at federal agencies, some of which are held by political appointees. For these positions, this comparison is flawed since most political appointees have relatively brief careers with the government and then return to the private sector. Therefore, their employment choices often do not center on compensation alone. In contrast, the Institution's senior Trust positions are not designed for such short-term incumbents – they are meant to be staffed with individuals who want to make the Smithsonian their career choice, and for whom compensation is a key factor in the employment decision. Therefore the compensation levels for our Trust positions should be assessed based on the Smithsonian's competition for those individuals in the marketplace, not compared to compensation levels for Federal positions that may be held by political appointees.

The issue of the recruitment market for Trust positions is another area where the report does not appropriately describe the Institution's situation. Our competition for highly skilled museum, research, and administrative executives comes mainly from the academic and not-for-profit sector. When Trust salaries are compared to salaries in those organizations, the Institution falls within established parameters. For instance, as part of its 2006 compensation review of museum directors' salaries, Watson Wyatt determined that, overall, the Smithsonian's compensation of its museum directors was 12.9% below the market rate. That discrepancy presents a critical situation for the Institution. Without the talented leadership necessary to continuously reinvigorate museum programming and raise funds, we will not be able to fulfill the Smithsonian's mission.

This difference between the Federal and Trust employment systems is highlighted by situations in which Federal employees retire from the Federal system and then are hired as Trust employees. The report accurately notes that the change of employment systems from Federal to Trust is often accompanied by significant pay increases. However, offering a higher paying Trust position to these retiring Federal employees was necessary to prevent them from offering their experience and talent to a private or non-profit sector employer capable of paying far more than the Federal pay system would allow.

In these instances, the Institution is no longer competing with Federal Departments like Agriculture or Defense for that retiring Federal employee, but with private sector employers or non-profits such as the Metropolitan Museum of

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New York City; the Field Museum and The Art Institute of Chicago; and the California Academy of Sciences and Los Angeles County Museum of Art, all of which can offer greater compensation to get top quality leadership. With the possibility of Trust employment, the Institution can offer competitive starting salaries, followed by pay increases and bonuses when merited. In this way, we use the flexibility offered by Trust employment — as does the National Gallery of Art, the U.S. Holocaust Memorial Museum and the John F. Kennedy Center for the Performing Arts — to attract, motivate, and retain a talented cadre of senior management. The vast preponderance of top private and public educational institutions and museum organizations in the United States have compensation programs which pay at higher levels than the federal system. Not exercising the flexibility of the Trust compensation system to attract, motivate and retain the highest quality employees would be a severe detriment to the Institution and its mission and prevent it from recruiting the best people in the country.

Relocation Bonuses and Expenses

We appreciate the Inspector General's observations regarding relocation bonuses and expenses and agree that further analysis is needed. In fact, work has already begun to better document and standardize the procedures in this area.

Given your upcoming audit of these policies and practices, we elect to reserve further comment on your observations at this time.

We thank you for the opportunity to comment on this draft report. If you have any questions about our response, please contact me at (202) 633-5240.