



Office of the Inspector General

Date: June 8, 2011

To Tom Ott, President, Smithsonian Enterprises  
Bruce Kendall, Director, Office of Facilities Engineering and Operations

cc Peter Gibbons, Retail Director, Smithsonian Enterprises  
Sheryl Kolasinski, Acting Deputy Director/Chief of Staff, Office of Facilities Engineering and Operations  
Nancy Bechtol, Director, Office of Facilities Management and Reliability  
Gelitza Reyes, Associate Director, Financial Asset Management, Office of Facilities Engineering and Operations

From  A. Sprightley Ryan, Inspector General

Subject Management Advisory Regarding OFEO Service Agreements with Smithsonian Enterprises Retail Operations, Number M-10-12

During the course of our audit of the financial management operations at Smithsonian Enterprises (SE), we determined that the Office of Facilities Engineering and Operations (OFEO) provided varying levels of service to museum retail operations. Each museum falls within one of eight zones,<sup>1</sup> and OFEO has a service agreement with each zone. These agreements outline a common understanding of the services OFEO will provide for each zone. These services typically include safety, security, custodial care, operations, maintenance and revitalization for museums and units across the Smithsonian.

According to the Director of the Office of Facilities Management and Reliability (OFMR), a division of OFEO, during business hours, OFMR performs some services for SE retail operations within museums at no charge. However, for special events or other programs, OFMR charges SE overtime, in accordance with the rates prescribed by Smithsonian Directive 401, Appendix H, *Use of Facilities for Events and Public Programs*.

We obtained and reviewed all eight service agreements, created between 2002 and 2003, and determined that these agreements are inconsistent and somewhat ambiguous when addressing services provided to SE's retail operations. For example, the West Mall service agreement indicates that OFEO will perform lamping (lighting services) in all non-exhibit areas. It is unclear whether this specifically applies to SE retail operations. In addition, museum representatives in that zone informed us that the organization responsible for paying for lamping has been unclear in the past. See Table 1 for a description of the services provided for each zone that has SE retail operations.<sup>2</sup>

<sup>1</sup> The Smithsonian divides the Institution's 26 major museums and research centers into eight zones. The Smithsonian separately manages the Smithsonian Tropical Research Institute (in Panama) and the Smithsonian Astrophysical Observatory (in Cambridge, Massachusetts).

<sup>2</sup> SE does not have retail operations in three of the zones: Upper Northwest, Smithsonian Environmental Research Center, and Suitland.

Table 1. *Services OFEO Provides for SE Retail Operations in Each Zone According to the Service Agreements.*

<b>Zone</b>	<b>Museums with SE Operations in This Zone</b>	<b>Mention Retail Operations</b>	<b>Services Described</b>
South Mall	National Museum of African Art, Hirshhorn Museum and Sculpture Garden, Freer Gallery of Art, Arthur M. Sackler Gallery, Smithsonian Institution Building (the Castle)	Yes	OFEO will not remove trash or boxes from museum shops or concession services.
East Mall	National Air and Space Museum	Yes	OFEO will dust, clean, vacuum, sweep, and mop depending on the day of the week for theaters, main shop, dog tag shop, planetarium shop, and second floor shop.
North Mall	National Museum of Natural History	Yes	OFEO provides daily cleaning of museum shops (floors only), IMAX and Immersion Theaters, but does not provide cleaning after food service or museum shop activities.
Gallery Place	Old Patent Office Building (Smithsonian American Art Museum and National Portrait Gallery), Renwick Gallery	Unclear	OFEO provides labor (beyond basic building service) for trust-funded organizations on a reimbursable basis
West Mall	National Museum of American History	Unclear	OFEO will provide lamping and maintenance of building lighting systems in all non-exhibit areas and exterior.

In 2007, the Acting Secretary established a Task Force to review the status of Smithsonian Business Ventures<sup>3</sup> to “recommend improvements to its structure and organization, and examine ways to maximize its financial and program-related contributions to the Institution.” The Task Force recommended that “a complete list of cost sharing issues be developed, and a policy set for each one, and applied uniformly to all stores.”

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<sup>3</sup> One of the recommendations of the Task Force was to change the organization’s name from Smithsonian Business Ventures to Smithsonian Enterprises. The name change became official on July 1, 2008.

During our audit, SE and OFEO management confirmed that they had not completed this task. We believe that OFEO should develop uniform agreements for all museum retail operations.

**Recommendation**

We recommend that OFEO, in coordination with SE management and the museums, update these agreements or create one agreement specific to retail operations. The revised agreement(s) should be consistent and clear, specifying the particular services OFEO will perform for each retail line of business at all museums.

Please notify us in writing within 30 days how you plan to handle this matter.

If you have any questions, please call Joan Mockeridge or Daniel Devlin at 202.633.7050.