



Office of the Inspector General

Date June 29, 2012

To Albert Horvath, Under Secretary for Finance and Administration and Chief Financial Officer

cc Judith Leonard, General Counsel
Richard Kurin, Under Secretary for History, Art, and Culture
Eva Pell, Under Secretary for Science
Christopher Liedel, President, Smithsonian Enterprises
Claudine K. Brown, Assistant Secretary for Education and Access
Virginia Clark, Director, Office of Advancement
Evelyn Lieberman, Director, Office of Communications and External Affairs
Carole Neves, Director, Office of Policy & Analysis
Dorothy Leffler, Director, Office of Contracting and Personal Property Management

From Scott S. Dahl, Inspector General 

Subject Management Advisory on the Audit of the Smithsonian's Use of Consulting Services, Number M-12-01

We conducted an audit of the Smithsonian's use of contracts for consulting services. The objectives of this audit were to assess whether the Smithsonian (1) obtained the required services from the consultants, (2) utilized the consultants' results, and (3) improved operations based on the consultants' recommendations. In addition to these audit objectives, for the contracts in our sample, we reviewed how Smithsonian units utilized consulting services provided by the Smithsonian's Office of Policy and Analysis (OP&A). As a result of this review, we identified efficiencies likely to result in cost savings for the Smithsonian.

We focused our audit on consulting contracts that were designed to improve operations, including contracts for governance reform; strategic planning; branding and marketing; and financial matters such as development, retail operations, and investments. We judgmentally selected 13 contracts from fiscal year (FY) 2008 totaling \$5.9 million and did not find any significant issues related to our audit objectives.

We determined that the Smithsonian generally obtained the required services from these 13 consulting contracts, utilized the results, and improved operations based on the consultants' recommendations. However, we discovered that Smithsonian units are not fully capitalizing on the resources offered by the internal OP&A. During our contract review, we noted that several units either were not aware of the services provided by OP&A or did not know how to procure its services. Therefore, we recommended that the Smithsonian develop a strategy to increase awareness and promote the services of OP&A. Management concurred with our recommendation.

BACKGROUND

On June 13, 2011, President Obama issued Executive Order 13576 “Delivering an Efficient, Effective, and Accountable Government.” The Executive Order outlined the President’s goals to cut waste, streamline Government operations, and reinforce the performance and management reform gains. One initiative specifically referenced was curbing the uncontrolled growth in contract spending.

On June 28, 2011, the Office of Management and Budget (OMB) issued a memorandum to the Chief Financial Officers of executive departments and agencies addressing Executive Order 13576. The memo states that the Obama Administration has initiated a “Campaign to Cut Waste” to root out waste from government agencies. Specifically, OMB identified reducing the use of outside consultants. Although the Smithsonian is not subject to this memo, in the interest of identifying cost savings and efficiencies, we decided to look at the Smithsonian’s use of consultants to improve operations.

SCOPE & METHODOLOGY

In order to allow adequate time for units to implement recommendations from the consultants, we tested consulting contracts that were awarded or modified in FY 2008. We focused our audit on consulting contracts that improved operations. Therefore, we excluded consulting contracts that provided services for supplementing the workforce or construction management. We excluded these contracts because they did not provide an analysis and recommendations for improving operations. As a result, 33 consulting contracts totaling approximately \$7.7 million met our criteria.

To assess whether consulting contracts improved operations, we judgmentally selected 13 contracts totaling \$5.9 million (77% of the total consulting amount). Because we selected a judgmental sample, we cannot project the results of our test to the population of consulting contracts.

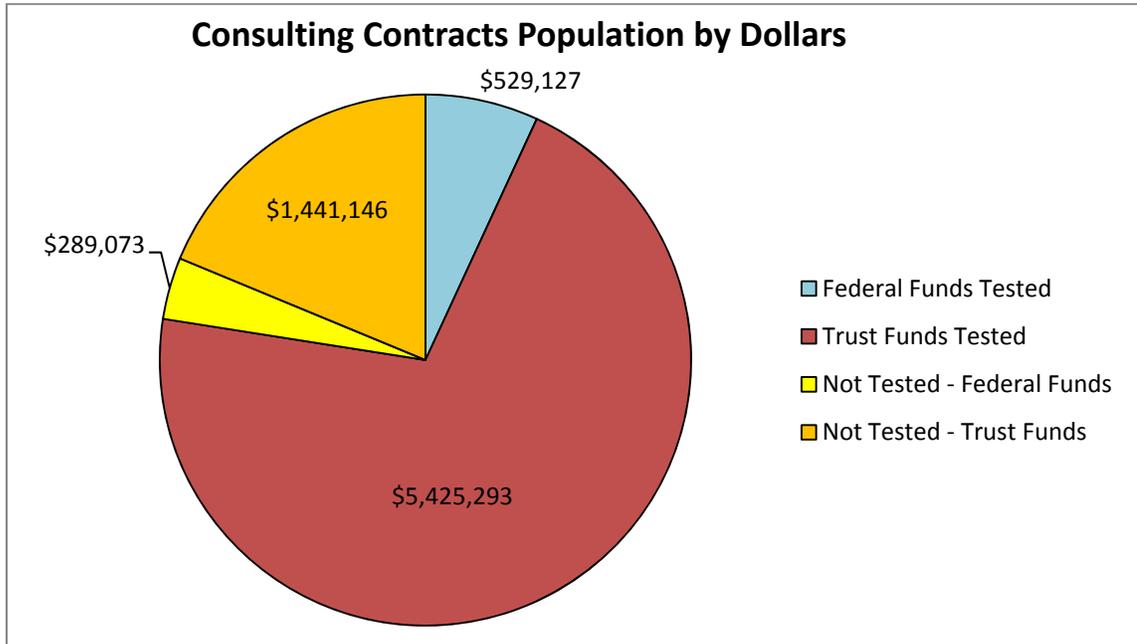
We met with the Office of Contracting and Personal Property Management to gain an understanding of contracting policies and procedures. We also held discussions with OP&A to identify roles and capabilities related to consulting services it can provide Smithsonian units. Additionally, we conducted multiple meetings with unit personnel with knowledge of the contract requirements and results.

We conducted this performance audit in Washington, D.C., from November 2011 through May 2012, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS

We reviewed 13 operational consulting contracts totaling \$5.9 million that were related to our audit objectives and found no pervasive issues that spanned across the Smithsonian. The contracts covered four general categories: governance reform, strategic planning, branding and marketing, and financial matters (development, retail operations, and investments).

We found that the Smithsonian generally obtained the required services from these 13 consulting contracts, utilized the results, and improved operations based on the consultants' recommendations.



For each contract, we met with the Contracting Officer's Technical Representatives (COTRs), who are responsible for the oversight of the contract, or other unit personnel with knowledge of the contract if the COTRs no longer worked at the Smithsonian. The COTRs explained the details of the contracts, including any modifications, as well as any changes made to operations as a result of the consultants' recommendations. The COTRs also provided us with copies of any deliverables provided by the consultants. We reviewed the deliverables and supporting documents provided by the COTRs to support their conclusion that operations had improved as a result of the consultants' recommendations.

OFFICE OF POLICY AND ANALYSIS

Based on our meetings with the various staff members involved with administering the selected contracts, the Smithsonian may not be utilizing the OP&A to its fullest potential.

According to OP&A's website, its services include:

- Policy analysis
- Program evaluation
- Strategic planning
- Performance measurement
- Quantitative and qualitative research methods (such as in-depth interviewing, observation, sampling and survey techniques, peer reviews and focus groups).
- Visitor research
- Marketing research
- Statistical analysis and modeling
- Exhibition planning and evaluation

We found that the Smithsonian paid nearly \$1 million to outside consultants for two strategic planning contracts, even though this is listed as one of the services provided by OP&A. The Smithsonian did use OP&A for the final phase of one contract, resulting in a savings of approximately \$310,000. Smithsonian officials told us, for contracts related to governance reform, they wanted to use an outside consultant to give the results and recommendations extra validity to the public. However, we also found that in some cases Smithsonian officials were unaware of what OP&A can do or how to procure its services.

To gain a better understanding of the possible costs savings OP&A could provide the Smithsonian, we obtained a listing of consulting contracts for FY08, FY09, and FY10. We then went over the scope of work of the contracts with OP&A to identify services that could have been performed in-house. Based on these discussions, we identified an average of approximately \$500,000 per year, or a total of at least \$1.5 million over a three year period, of potential costs savings to the Smithsonian, should OP&A be given the opportunity to perform the work.

RECOMMENDATION

We recommended that the Under Secretary for Finance and Administration and Chief Financial Officer ensures that the Smithsonian is maximizing available resources by:

1. Directing OP&A to develop a strategy to better market its office and explain the services it offers to Smithsonian management.

Management concurred with our recommendation and their full response is contained in Appendix A.

Attachment A



Smithsonian Institution

Office of the Under Secretary for Finance and Administration

Date June 20, 2012

To Scott Dahl, Inspector General

From Albert Horvath, Under Secretary for Finance & Administration/Chief Financial Officer *Albert Horvath*

cc Judith Leonard, General Counsel
Richard Kurin, Under Secretary for History, Art, and Culture
Eva Pell, Under Secretary for Science
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Carole Neves, Director, Office of Policy & Analysis
Dorothy Leffler, Director, Office of Contracting and Personal Property Management
Bruce Dauer, Deputy Under Secretary for Finance and Administration

Subject **Response to the Draft Management Advisory on the Audit of the Smithsonian's Use of Consulting Services, Number M-12-01**

Thank you for the opportunity to review and respond to the draft report on the audit of the Smithsonian's use of consulting services. The following comments address the recommendations made in the Office of Inspector General (OIG) advisory.

Recommendations to the Under Secretary for Finance and Administration:

Recommendation 1:

We recommend that the Under Secretary for Finance and Administration and Chief Financial Officer ensures that the Smithsonian is maximizing available resources by:

- 1. Directing OP&A to develop a strategy to better market its office and explain the services it offers to Smithsonian management.*

Response:

Concur. The Under Secretary for Finance and Administration has directed and the Office of Policy and Analysis (OP&A) is pursuing a strategy to more effectively market its capabilities and explain the services it offers to Smithsonian management to ensure that the Smithsonian is maximizing available resources. Additionally, the OP&A Director will meet periodically with members of the Secretary's Cabinet to review completed projects and to discuss potential future projects. The first such meeting was held with the Under Secretaries on June 18, 2012.

Anticipated completion date: July 15, 2012.

Smithsonian Institution Building
1000 Jefferson Drive SW
Washington DC 20560-0016
202.633.5241 Telephone
202.633.0179 Fax