



Smithsonian Institution
Office of the Inspector General

Memo

Date: May 16, 2018

To: David M. Rubenstein, Chair, Board of Regents
Steve Case, Vice Chair, Board of Regents
Risa J. Lavizzo-Mourey, Board of Regents

Cc: John W. McCarter, Chair, Audit and Review Committee, Board of Regents
Porter N. Wilkinson, Chief of Staff to the Regents
Judith E. Leonard, General Counsel

From: Cathy L. Helm, Inspector General

A handwritten signature in black ink that reads "Cathy L. Helm".

Subject: Travel Expenses of the Board of Regents for Fiscal Year 2016 (OIG-A-18-07)

According to 20 U.S.C. section 44, each member of the Smithsonian Institution's (Smithsonian) Board of Regents (Board) shall be paid for necessary travel and other actual expenses to attend meetings of the Board. The law also assigns the Board's Executive Committee with responsibility for auditing these expenditures. Since 2007, at the request of the Executive Committee, the Smithsonian's Office of the Inspector General (OIG) has conducted annual audits of the Regents travel expenses.

The objective of this audit was to determine whether the Regents reimbursements for fiscal year 2016 complied with the Office of the Regents' *Reimbursement of Regents' Meeting Expenses* (Travel Reimbursement Policy or policy). This policy describes the type of expenses that may be reimbursed, establishes reimbursement limits, and sets procedures for the Regents to follow. For example, the policy limits the reimbursements for transportation to the equivalent of coach-air or coach-train fare or actual expenses, whichever is less. For expenses that are not listed in the Travel Reimbursement Policy, the Federal Travel Regulation is to be used as guidance. A detailed description of the audit's objective, scope, and methodology is presented in Attachment I.

The Smithsonian is based in Washington, D.C., but also maintains facilities and operates programs throughout the United States and Panama. Regents generally attend four Board meetings a year, as well as numerous committee meetings and occasional special events. The law recognizes that Regents who live outside the Washington, D.C., area may need to travel to attend meetings and events. See Attachment II for additional background information.

Two Regents, a non-Regent member of a Board committee, and a Regent liaison were reimbursed a total of \$22,465 for fiscal year 2016 expenses.¹ OIG found no evidence of fraud in these reimbursed expenses. However, OIG identified \$916 for two reimbursements for expenses that may have been aligned with Smithsonian's mission but were not explicitly authorized by the Travel Reimbursement Policy.

¹ Regent liaisons are federal employees who serve as representatives for the Vice President, Chief Justice of the Supreme Court (Chancellor), and the six Congressional Regents.

In one case, the Office of the Regents relied on the Travel Reimbursement Policy to reimburse a Regent liaison \$650 for a cancelled trip to Panama, although the policy only discusses travel reimbursements for Regents. Moreover, OIG identified that this reimbursement included two expenses totaling \$155 that were not explicitly authorized by the policy.

- The first expense was for preferred seating (\$73). The Chief of Staff to the Regents stated that, under the Travel Reimbursement Policy, the definition of economy airfare covers all seats in economy class including those in preferred seating. However, the policy does not explicitly mention preferred seating, while the Federal Travel Regulation and Smithsonian Travel Handbook provide that the preferred seating is generally at the traveler's personal expense and consider preferred seating as an upgrade within economy class.² Since internal policy may allow the reimbursement of preferred seating, the Chief of Staff to the Regents agreed that the Travel Reimbursement Policy could be improved by explicitly providing for reimbursement of this expense.³
- The second expense was for travel insurance (\$82).⁴ Neither the Travel Reimbursement Policy nor the Federal Travel Regulation explicitly allows reimbursement of travel insurance. The Chief of Staff to the Regents said that it is in the Smithsonian's economic interest to reimburse travel insurance on Regent transportation. However, the Chief of Staff to the Regents agreed that a portion of this expense was mistakenly reimbursed. Specifically, the travel insurance cost for the Regent liaison's companion (\$41) is unallowable under the Travel Reimbursement Policy and the Federal Travel Regulation.

The \$650 reimbursement for a cancelled trip to Panama and the travel insurance expense were incurred by a Regent liaison. Although the Travel Reimbursement Policy does not mention reimbursement to Regent liaisons, the Chief of Staff to the Regents stated that the policy has long been understood to support all Regent-related travel—including the expenses for Regent liaisons. She agreed that the policy could be improved by explicitly stating that reimbursements to Regent liaisons are covered by the policy. In addition, OIG also identified that the Regent liaison, a federal employee, could have been reimbursed under the Smithsonian's existing policy for invitational travelers.⁵

² The Travel Reimbursement Policy is the applicable agency policy because the expense was reimbursed under that policy. While the Federal Travel Regulation and Smithsonian Travel Handbook are not binding on the Office of the Regents, they provide additional guidance on this type of reimbursement.

³ For example, under the Smithsonian Travel Handbook, coach-class seating upgrades—which may be reimbursed—are generally used as a lower cost option to a non-coach upgrade (business or first class) when (1) traveler provides a doctor's statement or (2) the flight time exceeds 14 hours.

⁴ Travel insurance routinely covers, among other things, cancelled flights under certain circumstances.

⁵ Smithsonian Directive 312, *Travel Handbook*, covers reimbursement of expenses for non-employees traveling at the invitation of the Smithsonian, including federal employees who are conducting Smithsonian business. Invitational travel follows the Federal Travel Regulation.

Finally, OIG identified a travel reimbursement to a Regent for \$266 (estimated) to cover the meal expenses of three dinner companions who were not Regents.⁶ According to the Chief of Staff to the Regents, this dinner was for a development activity and was in the best interest of the Smithsonian. The dinner may be appropriate, but this type of reimbursement was not explicitly authorized by the Travel Reimbursement Policy. While the Smithsonian's Use of Funds Handbook covers development activities, including meals, it allows only Smithsonian employees to expend funds for this purpose and is silent on reimbursing Regents for these expenses.

To provide enhanced clarity on authorized expenses, OIG recommends that the Chief of Staff to the Regents, in consultation with the Governance Committee, review and revise the Travel Reimbursement Policy to clarify the scope of reimbursable expenses and covered persons.

OIG provided a draft of this report to the Chief of Staff to the Regents for review and comment. The Chief of Staff to the Regents provided written comments, which are found in Attachment III. The Chief of Staff to the Regents concurred with the recommendation. OIG evaluated management's response and determined that its planned actions address the intent of the recommendation.

⁶ The total reimbursement of \$355 was the meal expense for four people, which included the Regent. To calculate the allowable and unallowable meal expense, OIG estimated that one-quarter of the meal expense was for the Regent, and three-quarters of the meal expense was for the three others.

Attachment I

Objective, Scope, and Methodology

The objective of this audit was to determine whether the Office of the Regents travel expense reimbursements for fiscal year 2016 complied with the *Reimbursement of Regents' Meeting Expenses* (Travel Reimbursement Policy).

To identify the fiscal year 2016 expenses reimbursed under the Travel Reimbursement Policy, the Office of the Inspector General (OIG) reviewed the Smithsonian Institution's general ledger and compiled a list of 21 reimbursements made by the Office of the Regents pertaining to regents' travel expenses. OIG then confirmed with the Chief of Staff to the Office of the Regents that all of these expenses were reimbursed under the policy. OIG reviewed all of the Regents' travel reimbursement requests and supporting documentation for the period of October 1, 2015, through September 30, 2016, to assess compliance with the policy. For each reimbursement, OIG obtained the invoice, confirmed that the purpose of the trip was to attend meetings of the board, and traced each expense from the invoice to the corresponding receipts.

OIG reviewed the minutes of the meetings of the Board of Regents and its committees to verify that Regents attended the meeting for which they were reimbursed. OIG reviewed the Travel Reimbursement Policy (updated in October, November, and December 2015, and in January 2017). OIG also reviewed the Federal Travel Regulation to identify applicable government per diem rates and interviewed key personnel from the Office of the Regents and the Office of Finance and Accounting.

OIG conducted this performance audit in Washington, D.C., from January 2017 through May 2018 in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objective. The OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objective.

Attachment II

Background

Congress vests responsibility for the administration of the Smithsonian Institution (Smithsonian) in the 17-member Board of Regents (the Board). The Board members are the Chief Justice of the Supreme Court, who serves as the Chancellor of the Smithsonian; the Vice President; three U.S. senators; three members of the House of Representatives; and nine citizen Regents. The citizen Regents are members of the general public. Two of the nine citizen Regents must reside in the District of Columbia; the seven others must live in the United States, but no two can be from the same state.⁷ In addition to the 17-member Board, non-Regent members also serve on the Board's committees.

The Regents are reimbursed for their travel expenses in accordance with the Reimbursement of Regents Meeting Expenses (Travel Reimbursement Policy). The Regents submit their reimbursement requests to the Office of the Regents.⁸

The Travel Reimbursement Policy establishes reimbursement limits and sets requirements for the Regents to follow. For example, the policy limits the reimbursements for transportation to the equivalent of coach-air or coach-train fare or actual expenses, whichever is less. For expenses that are not listed in the policy, the Office of the Regents uses the Federal Travel Regulation as guidance.⁹

The travel reimbursement process involves review and action by several parties. The Regents coordinate their travel through the Office of the Regents, and that office makes reservations for lodging. The Regents themselves arrange the transportation and other aspects of their trips. After completing travel, the Regents submit their travel reimbursement requests and supporting documentation detailing expenses for meetings or events to the Administrative Assistant in the Office of the Regents.

The Deputy Chief of Staff to the Regents reviews the reimbursement requests to determine if the costs are accurate, allowable, and supported by documentation. The Chief of Staff to the Regents is responsible for ensuring all the reimbursements are authorized.

Following review and approval by the Office of the Regents, the reimbursement request is sent to the Administrative Officer in the Smithsonian's Office of the Secretary. The Administrative Officer then reviews and submits the request to the Office of Finance and Accounting for payment. The Accounts Payable staff in the Office of Finance and Accounting processes the request in the Smithsonian's accounting system. The accounting system then generates the payment to the Regent by an electronic funds transfer from trust funds.

⁷ 20 U.S. Code § 42(a).

⁸ The Office of the Regents provides support to the Board, facilitates communication with key Smithsonian leadership, and provides Regents input with respect to the overall management, coordination, and oversight of the Smithsonian.

⁹ The Federal Travel Regulation is the regulation contained in 41 Code of Federal Regulations, Chapters 300 through 304, that implements statutory requirements and Executive branch policies for travel by federal civilian employees and others authorized to travel at government expense.

Attachment III

Office of the Regents Response



Smithsonian Institution

Office of the Regents

DATE: May 2, 2018

TO: Joan T. Mockeridge, Assistant Inspector General for Audits

FROM: Porter N. Wilkinson, Chief of Staff to the Regents

CC: Matthew Colebank, Auditor
Kate Forester, Deputy Chief of Staff to the Regents
Cathy Helm, Inspector General
Judith Leonard, General Counsel
Brian Lowe, Supervisory Auditor

RE: Formal Draft Report: Travel Expenses of the Board of Regents
for Fiscal Year 2016

The Office of the Regents appreciates the opportunity to review and comment on the Audit of *Travel Expenses of the Board of Regents for Fiscal Year 2016*. Below is our response to the recommendations (in bold) contained in the audit:

The Office of the Regents concurs in the recommendations to provide increased clarity around authorized expenses. We will review the recommendations with the Governance and Nominating Committee on May 11, 2018, and with the full Board of Regents on June 11, 2018. Our goal is to have a revised policy in place by the start of fiscal year 2019.

On behalf of the Office of the Regents, I would like to commend the professionalism of, and guidance from, the audit team.