Smithsonian Institution

Office of the Inspector General

July 19, 2007

Audit and Review Committee
Board of Regents
Smithsonian Institution
Washington, D.C. 20560

Dear Members of the Audit and Review Committee:

Enclosed please find the Independent Accountant's Report on Applying Agreed-Upon Procedures to the compensation and expenses of the Chief Executive Officer (CEO) of Smithsonian Business Ventures (SBV), which was conducted at Secretary Small's and your request. The procedures covered fiscal years 2000 through 2005 for the CEO's compensation, and fiscal years 2001 through 2005 for his expenses.[1]

Nature of the Review. This review was not an audit but an agreed-upon procedures review (AUP). In an AUP, the requestor – in this case the Office of the Inspector General (OIG) – determines the scope, transactions and criteria, rather than the independent accountant doing so. SBV provided the initial schedule (list) of transactions from its accounting systems, a schedule that included all expenditures of the office of the CEO. Because the scope of the review covered only the CEO's individual expenses, the schedule was adjusted accordingly. The Inspector General (IG) personally reviewed and approved all such adjustments.

Challenges in Conducting the Review. This review was protracted and difficult. At the start, there was little supporting documentation with which the independent accountant could work. After exhaustive searches and significant efforts by SBV to find original records and alternative support such as electronic calendars and duplicate charge card statements, SBV was able to reconstruct documentation for most of the CEO's expenses. Further complicating the process were the numerous issues associated with SBV's handling of the CEO's business expenses, such as the direct payment by SBV of the CEO's Smithsonian-issued travel card, which was against policy; personal use of the card by the CEO, also against policy; and advance payments of the travel card balance by SBV that were not directly related to the amounts owed. Finally, after receiving an earlier draft of our transmittal, you requested that we explore the tax implications of our conclusions in more detail.

Summary of Results. In this transmittal letter, we offer comments based on our oversight of the independent accountant's report. We first review the verification of

[1] All parties agreed that any records relating to expenses for fiscal year 2000 would have been limited and costly to locate. We did not believe it would be an efficient use of limited resources to have them reconstructed.

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the CEO's compensation. We then focus on the CEO's business expenses, which totaled approximately $202,000 for fiscal years 2001 through 2005. Unfortunately, although most of the expenses were likely incurred for Smithsonian purposes, much of the documentation failed to meet Smithsonian requirements or Internal Revenue Service (IRS) standards for deductible business expenses. We conclude, as we explain below, that approximately 13 percent of the expenses were unsupported, 59 percent were inadequately supported, and 16 percent were unauthorized. We also observed misuse of the Smithsonian travel card, weak internal controls at SBV regarding the CEO's expenses, and a lack of enforcement of Smithsonian policies by the Institution.

We recommend that the Board of Regents request the Acting Secretary to (1) direct the CEO to reimburse the Institution for $26,155.36 in unsupported expenses; (2) report as taxable income those expenses of the CEO that were inadequately supported ($28,578.94 for tax year 2003, $14,248.13 for 2004, and $22,407.65 for 2005) and revise the Institution's tax filings accordingly; (3) strengthen the Institution's policies regarding the use of car service; (4) direct the CEO to reimburse the Institution for $3,542.78 in unauthorized expenses; (5) direct the CEO to reimburse the Institution for any outstanding personal expenses on his Smithsonian-issued travel card; and (6) strengthen the Institution's travel policy regarding the payment of actual expenses, rather than per diem, for employee travel.

I. Introduction

In 1998, the Smithsonian Board of Regents, recognizing that furthering the Institution's mission depends heavily on private funding, sought to consolidate the Institution's disparate business activities to improve their management and increase their contributions to the Institution's unrestricted trust funds. An outside consulting firm suggested that bringing them under a single, new management structure modeled on the private sector could considerably increase income. The Board of Regents thus authorized the Secretary of the Smithsonian to consolidate most of the business activities into Smithsonian Business Ventures to increase unrestricted trust funds by expanding existing businesses, initiating new businesses, and improving management and operational efficiency.

The Board of Regents authorized the hiring of a CEO to lead SBV, with the understanding that the CEO would be recruited from the business sector and that compensation for the CEO and key managers of this new business entity would be competitive with the commercial market, even though it would be greater than compensation at other units of the Institution. The CEO assumed SBV's top position in August 1999, and SBV became a fully functioning, separate entity within the Institution in FY 2000. SBV currently consists of several business units: Magazines; Retail (museum stores, concessions, and theaters); Catalogue; Product Development and Licensing; and Journeys (travel). In 2005 and 2006, SBV expanded its businesses to include a joint publishing venture with Harper-Collins and a long-term joint venture with Showtime Networks called Smithsonian Networks. In FY 2006, SBV had a total of 480 employees (full-time equivalents), including the CEO, executives and division managers. SBV's annual revenues since its inception have ranged from a low of $143 million in FY 2003 to a high of $172 million in FY 2005 in nominal dollars; its

annual contribution to the Institution's unrestricted trust funds has ranged from roughly $17 million in FY 2002 to $30 million in FY 2005[2] in nominal dollars.

A written delegation from the Smithsonian Secretary governs the CEO's expenditures on behalf of SBV.[3] Pursuant to that delegation, SBV established its own financial system and its own human resources functions, including a separate compensation system.[4] Under that delegation, the CEO also has authority:

> (3) To expend Smithsonian Business Ventures Trust Funds in accordance with applicable law and guided by reasonable business practices and with consideration for the fiduciary obligations of the Smithsonian as a trust instrumentality of the United States.
>
> ....
>
> (5) To establish, after consultation with the [SBV] Board and approval by the Secretary, a Smithsonian Business Ventures travel policy which would include a separate system for travel arrangements and reporting and reimbursement of travel expenses, and which would be consistent with the Smithsonian Institution's standards of conduct.

SBV is legally a unit of the Smithsonian, and SBV employees are trust employees of the Smithsonian.

II. Verification of the CEO's Compensation

CEO's Base Pay. In verifying the compensation paid to the SBV CEO for fiscal years 2000 through 2005, the independent accountant was unable to reconcile the CEO's earnings for calendar years 2000 through 2002, as set forth on the schedule of compensation provided by the Smithsonian, to his IRS W-2 forms. The independent accountant was unable to do so because the Smithsonian – which handled SBV's personnel functions until the end of 2002 – did not have the CEO's Earnings and Leave Statements (E&LS) for those years. The E&LS are maintained electronically by the National Finance Center (NFC), the Smithsonian's payroll service provider, but accessible only for the immediate prior three years. The CEO was also unable to provide copies of his E&LS from 2000 through 2002.

Because these records were not available, the Smithsonian's Comptroller calculated total compensation amounts based on compensation calendars provided by the NFC. These calendars are based on pay periods that do not correspond exactly with calendar years or fiscal years, because each two-week pay period ends on a Saturday. What that means is that the end of a calendar year or fiscal year could fall at any point within a pay period, making exact calculations difficult. A further complication is that

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[2] This figure excludes an extraordinary gain of more than $6 million that year.

[3] In contrast, the Secretary's expenditures were governed by his employment agreement and by Smithsonian trust fund policies.

[4] For details on this separate compensation system, see our recent audit, *Executive Compensation at Smithsonian Business Ventures, Phase I,* Report Number A-06-02 (Jan. 19, 2007).

the actual cash pay date for a given pay period (which determines the reporting period to which the payment applies for tax purposes) is different from the last day of the pay period, making payments at the end of the fiscal year or calendar year difficult to determine without reviewing the actual E&LS. Therefore, the amounts provided on the schedule that the independent accountant reviewed were estimates for those reporting periods, not the actual amounts paid during those periods.

Given these facts, the discrepancies noted in the first two tables of section B-1 of the independent accountant's report do not indicate that the CEO was underpaid; he was paid according to the data maintained by NFC, with correct reporting of those payments represented by the W-2 amounts. The W-2s are prepared by the NFC. That the W-2's did not reconcile exactly to an estimate based on imperfect information is unfortunate but not of any consequence.[5]

CEO's Bonuses. The other compensation issue noted by the independent accountant related to the computation of the CEO's bonuses in accordance with his employment contract. The independent accountant noted two discrepancies, as reported in the table in section B-2 of the report. First, the independent accountant was not able to verify a portion of the CEO's bonus award for fiscal year 2004 because SBV was unable to provide the SBV Compensation Committee's recommendation and associated support for the "operational goal incentive" portion of the CEO's bonus for that year, in the amount of $24,395 (out of a total bonus paid of $208,075). Second, according to the independent accountant's calculations, the CEO should have received $990 more in his bonus for fiscal year 2001 (which totaled $116,393) than he did. It appears the mistake in computation stemmed from the transposition of two digits for the financial goal incentive number. SBV's human resources office confirmed the error. In both instances, however, the SBV Board and the Secretary did approve the total bonus amounts, and the Regents approved them as well.

Accordingly, we make no recommendations regarding the CEO's compensation for the period reviewed.

Finally, we note that, for the period covered by this review and consistent with his employment contract, SBV did not report any housing allowances, honoraria, loans or cash advances, housing or relocation expenses, or personal automobile allowances paid to the CEO.

III. The CEO's Expenses

A. Background

SBV did not have a written policy regarding business expenses for the period covered by this review. The CEO asserts that SBV did have a policy, albeit unwritten, that differed from Smithsonian policy. This expenses policy, as described by the CEO and by a former SBV controller, consisted initially of the CEO submitting his Citibank charge card statements to the controller, along with relevant receipts or other

[5] The same issue arose in our review of Secretary Small's compensation: the Institution did not have E&LS for the early years covered by the review. However, the Secretary had retained copies of those documents and was able to provide them for the reconciliation.

supporting documentation, and with a check to cover personal charges he identified that he incurred on the Citibank card. At some point, the CEO's Citibank statements were mailed directly to SBV. Throughout the period covered by this review, the controller would pay the balance due directly to Citibank and book the payment as an expense as soon as it was paid, even if complete documentation supporting each individual charge was not provided. Several times, the controller paid lump-sum amounts to the CEO's Citibank account, amounts that did not correspond to particular charges. The controller or, in some instances, the SBV Chief Financial Officer would review the CEO's expenditures to determine if they represented valid and reasonable business expenses and to authorize payment.

We were not provided any documentary evidence that the SBV Board was consulted by SBV on this unwritten policy; that SBV obtained the approval of the Secretary for this policy; or that SBV reviewed the policy to ensure that it was consistent with the Smithsonian's standards of conduct, as required by the CEO's delegation of authority (see page 3, above). Accordingly, in our judgment, and in the judgment of the Smithsonian's General Counsel, during fiscal years 2001-2005, SBV did not have an official travel and expenses policy, even though the CEO had the authority to develop one. Therefore, the Smithsonian's travel policy applied to travel expenditures by the CEO. We instructed the independent accountant to apply that policy when reviewing the CEO's travel expenses.

For all expenditures, the CEO must adhere to the principles set forth in paragraph (3) of his delegation of authority. Thus, in reviewing his expenses, we looked to (1) Internal Revenue Service rules regarding business expenses; (2) our understanding of reasonable business practices; and (3) the fiduciary obligations of the Smithsonian. Although SBV is a business, its purpose – to generate unrestricted funds for the Smithsonian – is a charitable one. As a trust instrumentality of the United States and as a charitable organization under the Internal Revenue Code, the Smithsonian must ensure that expenditures on behalf of the Institution are reasonable. The expenses also must be properly documented; be for a Smithsonian purpose; and not be lavish or extravagant.

IRS "Accountable Plan" Rules. Under IRS rules, for business expenses reimbursed by an employer to be excluded from the employee's taxable income, they must be reimbursed under an arrangement that is an "accountable plan."[6] To be an accountable plan, the expenses arrangement must meet all three of the following requirements:[7]

- *Business Connection.* The arrangement must provide advances, allowances or reimbursements only for expenses that are allowable as income tax deductions, and that are paid or incurred by the employee in the course of conducting business for his employer.

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[6] Treas. Reg. § 1.62-2.

[7] Treas. Reg. § 1.62-2(c)(2)(i). These rules would have applied even if SBV had an approved travel and expenses policy.

- *Substantiation.* The arrangement must require that every element (such as amount, time, place, and business purpose) of each expense be substantiated within a reasonable time.

- *Excess Payments Returned.* The arrangement must require the employee to return within a reasonable time any amounts paid to him as advances that exceeded the expenses he substantiated. Advances must be reasonably calculated not to exceed anticipated expenditures and be paid near the time the expenses are incurred.

If the employer's expenses arrangement does not meet all three requirements, it will be considered a nonaccountable plan, and *all* expenses reimbursed or advanced under that arrangement must be reported as taxable income. The Smithsonian's travel policy, which is essentially the same as the Federal Travel Regulation (FTR), meets all three requirements for an accountable plan. The unwritten expenses arrangement described by the CEO and the former SBV controller does not.[8]

If the employer's expenses arrangement is an accountable plan, but particular expenses do not meet all three requirements, then those expenses will be treated as having been paid under a nonaccountable plan. In other words, the accountable plan requirements are applied on a transaction-by-transaction or employee-by-employee basis. Any expenses deemed to have been paid under a nonaccountable plan must be reported as taxable income.[9]

B. Results of Review

Because the Smithsonian's travel policy meets the accountable plan rules, we focus our analysis on those transactions that the independent accountant identified as unsupported or inadequately supported, or as unauthorized, and whether those expense transactions met the requirements of the accountable plan rule.

The independent accountant reviewed a total of $202,659 of the CEO's expenses for fiscal years 2001 through 2005. The independent accountant separated the transactions into two groups: transactions on the CEO's Smithsonian-issued Citibank travel card ($145,734 total), and non-Citibank transactions ($56,925 total). This distinction was useful because there was a dearth of supporting documentation, the CEO used the Smithsonian-issued Citibank travel card for personal expenses, and much of the CEO's Citibank travel card expenses had to be reconstructed. Within those two groups, the independent accountant classified each transaction as either (1) supported and authorized, or (2) unsupported, inadequately supported, or unauthorized. Those transactions in the latter categories appear in the independent accountant's report as exceptions noted in four separate schedules attached thereto.

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[8] For example, paying Citibank statements that had both business and personal expenses before receipt of substantiating records and paying amounts in excess of the balance due (both of which we discuss in detail later in this letter) constituted advances to the CEO for nonbusiness expenses, meaning the arrangement does not fulfill the business connection requirement. Thus, had the Smithsonian travel policy not applied, *all* expenses paid under the arrangement described by SBV would be treated as taxable income, whether they were supported or not.

[9] Treas. Reg. § 1.62-2(c)(5).

Below, we offer comments and recommendations on the CEO's (1) unsupported expenses and inadequately supported expenses; (2) his unauthorized expenses; and (3) personal expenses for which he has not reimbursed the Institution. Finally, we offer some observations on the nature of the expenses he incurred.

Unsupported and Inadequately Supported Expenses

Unsupported Expenses

The independent accountant found that $5,476.71 of the CEO's expenses was unsupported because the CEO provided no documentation whatsoever for these expenses. See Schedule B-2 to the independent accountant's report.

Based on our additional analysis, we conclude that the amount of unsupported expenses is actually $26,155.36, or 13 percent of the total expenses reviewed. We derived this number as follows: First, we eliminated $4,559.60 from the independent accountant's $5,476.71 figure for the four "SoFA" or statement of financial activity transactions in Schedule B-2. While these entries may not have been properly supported, our experience with SBV accounting systems, as well as our review of similar transactions that were fully documented and that we eliminated from the scope of this review, lead us to conclude that these were not payments to the CEO but were intercompany transfers. Accordingly, we do not treat them here as unsupported, which leaves $917.11 in expenses for which there was no documentation.

Second, in our judgment, transactions with only minimal documentation (such as an entry on a charge card statement) but no receipts or other evidence of the expense, and any other transactions for which the CEO could not identify a business purpose, are unsupported. Accordingly, we took three types of transactions from the "inadequately supported" and added them to the "unsupported" category: (1) those Citibank travel card transactions where entries on a Citibank statement were the only support (i.e., no receipt and no business purpose were provided), totaling $9,432.12; (2) those non-Citibank transactions for which, although there was a charge card statement entry, a monthly invoice or other document, there was no receipt and no business purpose provided, totaling $10,607.49; and (3) those non-Citibank transactions for which there were receipts but no business purpose provided, totaling $1,375.19. Finally, we also added those charges for car service that lacked a receipt and lacked a business purpose, totaling $3,823.45 (the independent accountant classified all car service charges as unauthorized).[10] Attachment 1 to this transmittal shows our calculations.

Inadequately Supported Expenses

The independent accountant characterized $126,742.04[11] in expenses as inadequately supported. Inadequately supported means that although there was some documentation related to the expenses, such as copies of charge card statements,

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[10] We discuss the car service transactions on pages 14-15 of this letter.

[11] This figure is the sum of inadequately supported transactions in Schedules B-1 and B-3.

calendars, itineraries, expense reports of varying detail, or the recollection of the CEO,[12] that documentation was insufficient. The independent accountant noted for each expense on the schedules of inadequately supported expenses (Schedules B-1 and B-3) whether it lacked a receipt, or lacked a business purpose, or lacked both. (Those that lacked both a business purpose and a receipt, or that lacked a business purpose, we categorized as "unsupported" and included them in the amounts above.)

Based on our additional analysis, we conclude that the amount of inadequately supported transactions totals $119,622.44, or 59 percent of the total expenses reviewed. We derived this number as follows: As explained above, we recategorized certain of the transactions as unsupported and so eliminated them from the total of inadequately supported expenses. We then added those car service transactions for which the CEO provided a business purpose but was unable to provide receipts ($21,441.75). Finally, we eliminated those expenses $75 and under for which the CEO was able to specify a business purpose (a total of $7,146.55 over the review period), as neither Smithsonian policy nor IRS regulations[13] require receipts in those circumstances.[14] Attachment 1 to this transmittal shows our calculations.

Treatment of Unsupported and Inadequately Supported Expenses

The CEO objects to categorizing as unsupported those expenses for which SBV provided any documentation. He also objects to categorizing as inadequately supported those for which he was able to provide alternative documentation[15] indicating the business purpose of the expense, but was not able to provide receipts. He asserts that he had adequate documentation at the time of each expenditure, that he provided that documentation at the time to prove the expense, and that the documentation has since been lost or destroyed. The CEO points to the declaration by the former SBV controller, who stated that he reviewed the CEO's expenses for reasonableness and that he kept files with receipts or other supporting documentation for those expenses. The former controller also stated in his declaration that, to the best of his knowledge, "all expenses submitted for reimbursement by [the CEO] throughout my tenure with SBV, were reasonable and valid business expenses incurred in furtherance of the missions of both the Smithsonian and SBV."

Under IRS rules *each element* of every travel and entertainment expense must be substantiated.[16] For travel expenses, there must be adequate records to substantiate (1) the *amount*, which means the amount for each separate expenditure (meals, lodging, transportation, etc.); (2) the *time*, which means the dates of departure and of return,

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[12] We considered categorizing as "unsupported" those transactions whose only support were an entry on a Citibank statement and the CEO's recollection, but decided to keep those transactions in the "inadequately supported" category. As explained in more detail below, in our view the inadequately supported transactions within the statute of limitations should be treated as income to the CEO.

[13] Treas. Reg. § 1.274-5(c)(2)(iii)(A)(2).

[14] We did not eliminate expenses $75 and under from those transactions we categorized as "unsupported" because no business purpose was provided for those transactions. Under Smithsonian travel policy, no receipts are needed for such expenses, but the expenses must be explained on a travel voucher.

[15] The CEO spent over $130,000 of SBV resources to hire a consulting accountant to assist in reconstructing and reconciling support, primarily based on copies of charge card statements as well as on documents such as calendars, itineraries and summary expense reports.

[16] Internal Revenue Code § 274(d). Smithsonian travel policy documentation rules mirror the IRS's.

as well as the number of days spent on business; (3) the *place*, which means the destination; and (4) the *business purpose*, which means the business reason or nature of the business benefit derived or expected.[17] For entertainment expenses (such as business dinners), there must be adequate records to substantiate (1) the *amount*, which means the amount for each separate expenditure (meals, other entertainment); (2) the *time*, which means the date of the entertainment; (3) the *place*, which means the name, address and designation of the type of entertainment; (4) the *business purpose*, which means the business reason or the nature of the business benefit derived or expected; and (5) the *business relationship* to the person entertained, which means the occupation or other information about the person entertained sufficient to establish that there is a business relationship.[18]

These elements may be established either by (1) adequate records or, if adequate records do not exist, by (2) other sufficient evidence corroborating the taxpayer's statement.[19] Adequate records are records created at or near the time of the expense containing specific details regarding each element of each expenditure. There are two requirements for adequate records: first, that "[a]n account book, diary, log, statement of expense, trip sheets, or similar record must be prepared or maintained in such manner that each recording of an element of an expenditure ... is made at or near the time of the expenditure."[20] Second, in addition to the account book or similar record, there must also be documentary evidence that, in combination with the account book or similar record, substantiates each element described above.[21]

It is clear that for both the unsupported and the inadequately supported transactions, adequate records do not exist. As noted earlier, the CEO claims that his records were lost or destroyed, which under IRS rules would entitle him to reconstruct his expenses and substantiate them that way. To be able to do so, he must prove that: (1) the records he had (but that are now lost) were adequate records, and (2) those records were destroyed or lost in a casualty beyond his control.[22] Only when he meets these two requirements may he substantiate the elements of each expense with reconstructed records.

Turning to the second requirement first – whether the CEO has proved that the records were destroyed or lost in a casualty beyond his control – it is possible that the IRS would not accept loss from a move or through inadvertence on the part of SBV as a casualty beyond his control.[23] Nonetheless, we will assume that the loss was such a casualty.

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[17] Treas. Reg. § 1.274-5T(b)(2).
[18] Treas. Reg. § 1.274-5T(b)(3).
[19] Treas. Reg. § 1.274-5T(a)-(c).
[20] Treas. Reg. § 1.274-5T(c)(2)(ii).
[21] Treas. Reg. § 1.274-5T(c)(2)(i).
[22] Treas. Reg. § 1.274-5(c)(5); *Campbell* v. *Commissioner*, 164 F.3d 1140 (8th Cir. 1999); *Gizzi* v. *Commissioner*, 65 T.C. 342 (1975).
[23] The IRS has ruled both for and against taxpayers who have claimed that moves or office problems caused their loss. For example, in *Davis* v. *Commissioner*, T.C. Memo 2006-272, the court allowed deductions where the taxpayers' accountant lost the documents but the taxpayers presented credible reconstructions; in *Villarreal* v. *Commissioner*, T.C. Memo 1998-420, the court deemed it a casualty beyond the taxpayer's control where his accounting firm misplaced his records during an office move. On the other hand, in *Gizzi*, the court ruled that it was not a casualty beyond the taxpayer's control when his records were inadvertently thrown out. In *Kelly* v. *Commissioner*, T.C. Memo 1996-529, the

That leaves the first requirement: the CEO must prove that the records that were lost were adequate records for IRS purposes in the first place. We do not believe he has done so. As noted earlier, under IRS standards, adequate records are records created at or near the time of an expenditure that establish every element of that expenditure. That means the records (whether an account book or something similar) prove the amount, date, place, and business purpose for each expense. There are three reasons that the available evidence does not persuade us that there were adequate records – that there was substantiation for every element of every expense – from the outset. First, the original records that do exist do not consistently substantiate each element, and the controller accepted less than the IRS (or Smithsonian) would when he approved and paid for the CEO's expenses. Second, there is no discernible pattern to the loss. Third, SBV's handling of the CEO's expenses strongly suggests that the records did not meet IRS standards for adequate records.

An examination of some of the expense reports and receipts provided to the independent accountant for this review show inconsistent levels of documentation. In some instances, all elements of an expense were recorded at or near the time of the expenditure (for example, expense reports that list the date, place, amount, business purpose of a dinner, and the names of those attending). But in other instances, no business purpose was recorded. Instead, there was a notation such as "business dinner," with no indication of what business was conducted. This inconsistency existed between as well as within expense reports. This level of substantiation was accepted by the former controller, and the corresponding charges were paid by SBV.

Furthermore, the former controller's declaration does not establish that the CEO was required to substantiate every element of every expense. The former controller did not state that he required substantiation for the amount, date, place, or business purpose (and business relationship, in the case of entertainment such as a business dinner) for every single expense. The former controller also did not state that he had reviewed and approved *every* expense incurred by the CEO.[24] And while the former controller undoubtedly believed that all the CEO's expenses were reasonable and valid, we also note that the controller was the CEO's subordinate.[25]

Second, there is no discernible pattern to the loss of records. It is not as if certain months of records were missing, or that records relating to one particular vendor were missing. It appears to be a random pattern. That may be attributable to poor recordkeeping, but it also suggests that there were not particular files or boxes misplaced. In any event, it is the taxpayer's burden to maintain records and the obligation of Smithsonian units to retain all relevant business records for at least six years.

Third, SBV's handling of the CEO's expenses also undermines confidence that records that would be adequate under IRS standards existed. The practice of paying advances

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court expressed doubt that a taxpayer's loss of records in the course of an office move would constitute a casualty beyond his control that would entitle him to reconstruct his records.

[24] For example, in his declaration he stated he "frequently" approved travel expenses for the CEO. He also stated that he recalled reviewing monthly bills for car services, but did not state that he reviewed or approved every use of car service by the CEO.

[25] The former controller currently serves as a consultant to SBV.

on the CEO's Citibank card is especially notable. One memorandum from the CEO's then-executive assistant to the former controller dated December 12, 2004, stated: "I called Citibank this morning. The balance due on [the CEO's] account is 7,237.09, which is due by Jan 6th, 2005. Do you want to issue a check for $10,000? The last payment received on the account was in the amount of 1,477.95 received on Oct. 21st, 2004." A handwritten notation below, signed and dated the same day by the former controller, reads: "Approved for Payment; Bills to be reconciled." This memorandum indicates little concern for timely and full substantiation.

SBV was also paying the CEO's Citibank card directly, rather than having him pay the balance and reimbursing him as required by policy, and before having substantiated the expenses charged. Indeed, it is unclear whether the controller's office had even seen the Citibank statement when the controller authorized the payment described in the memorandum quoted above.

Attachment 2 to this transmittal lists every Citibank statement during the review period and breaks down the amounts owed, amounts paid, credits, and beginning and ending balances, as reconstructed and reconciled by the CEO's consulting accountant. It shows that SBV made lump-sum payments on the CEO's travel card eight times in the 60 months reviewed. If adequate documentation had been available, there would have been no need to make such payments. Moreover, if adequate documentation had been available, the amounts of the lump-sum payments would have corresponded closely to the balances due on those statements, but they generally did not. If adequate records had been available, there would have been no need for the travel card to carry a *credit* balance almost 60 percent of the time covered by this review.

Under IRS standards, where records are not adequate for a particular element of an expense, then that element may be proven by the "other sufficient evidence method," which requires the taxpayer to establish that element by both his own statement containing specific information in detail regarding that element, *and* other corroborative evidence.[26] To substantiate the amount, place or date, the corroborative evidence must be direct evidence; for the business purpose or business relationship, circumstantial evidence is acceptable, but it must still be specific and detailed.[27] The level of proof needed for this method of substantiation is difficult to meet for numerous expenditures of relatively small amounts, as is the case here. And whether the evidence meets the standard is very fact-specific. In our judgment, the CEO's other evidence is not sufficient.

The CEO relies heavily on the declaration of his former controller. In that declaration, however, the controller made general statements about the procedures he used to pay for the CEO's expenses. He provided no details about the dates, amounts, or places involved for each expenditure.

Many of the reconstructed supporting documents, for example for the CEO's numerous trips to New York City, where SBV has offices, did not contain specific details regarding the nature of each trip. Similarly, with regard to dinners with other SBV executives or with SBV Board members, the CEO often only provided the names, not specific information regarding the nature of the business discussed.

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[26] Treas. Reg. § 1.274-5T(c)(3)(i).
[27] Treas. Reg. § 1.274-5T(c)(3)(i).

The CEO also places great weight on the entries on his Citibank statements. A charge card statement, which may indicate the general nature of the expense because it specifies a vendor, cannot, however, prove each element of an expense. It does not demonstrate the specific amount, date and essential nature of the transaction. For example, a single hotel charge on a statement does not separate the charges into meals or the number of nights' lodging, as IRS regulations require. Moreover, there could be charges for in-room movies, laundry, and the like. We are not saying that the CEO incurred such charges. We are saying that we cannot determine the cost of lodging alone based solely on a charge card statement entry. Similarly, a restaurant charge on a statement may show the date and the amount, but it does not show how many individuals were involved or what the business purpose was, as IRS rules require.

Turning to the inadequately supported expenses, even combining charge card statement entries with other evidence such as calendars or itineraries indicating a business purpose for the trip or meal is not, in our judgment, sufficient. IRS regulations require direct evidence to substantiate the amount, place, and date of each expense. That would mean for business dinners, for example, for which the evidence is the charge card statement and the CEO's recollection, the CEO would have to present further specific evidence (even if circumstantial) of the position of the person entertained and the business purpose. Those instances where the CEO provided a calendar or itinerary or expense report are also not enough, in our judgment, because they cannot document the exact amount, or the number of nights at a hotel, or the number of individuals who attended a business dinner.

We note that the CEO, in violation of Smithsonian policy and the travel card agreement, regularly used his Smithsonian travel card for personal expenses (generally for relatively small amounts), so the fact that these expenditures were on his official travel card or involved a vendor he often used for business purposes does not permit the inference that all these expenditures were for business and not for personal use (for example, restaurant and hotel charges). Indeed, the CEO used some of the same vendors or types of vendors for personal use that he did for business purposes.[28] As noted in a commonly used tax law reference, "[t]he detail required by the regulations is important because it is the basis upon which an allocation between personal and business expenses can be made."[29]

In sum, in our judgment, we do not believe the CEO has substantiated those transactions that we have identified as unsupported (those lacking documentation, or those with only minimal documentation that did not demonstrate a business purpose) as business expenses. We believe the CEO should reimburse those amounts to the Institution.

- We recommend that the Board of Regents request the Acting Secretary to direct the CEO to reimburse the Institution $26,155.36 for his unsupported business expenses.

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[28] For example, in reconstructing and reconciling the CEO's Citibank statements, the CEO's consulting accountant noted two instances of personal car service charges from firms that he used for SBV business, as well as a number of personal airline tickets.
[29] 519 Tax Management Portfolio 2d p. A-177.

We reach a different conclusion regarding those transactions that we have identified as inadequately supported. We are not saying they had no business purpose. Rather, we are noting that there is a dearth of documentation, especially receipts. And while some records may have been lost or destroyed, the available evidence does not persuade us that there was adequate supporting documentation for every expense from the start. And even if the CEO could prove that the records that were lost were adequate records by IRS standards, which we do not believe he can do, in our view the reconstructed records he provided for the independent accountant's review did not rise "to the level of credibility of a contemporaneous record."[30]

That being said, it is our judgment that the documentation for those transactions that we have identified as inadequately supported do show that most of the expenditures were likely in furtherance of the SBV mission. In other words, we believe they had a business purpose. However, as explained above, they were not substantiated to the level required by federal tax regulations. The IRS treats expenses that are not fully substantiated as if they were reimbursed under a nonaccountable plan, which means that they must be treated as taxable income. We therefore believe that the inadequately supported expenses should be treated as income to the CEO.

Because of the 3-year statute of limitations,[31] we believe there would be no tax liability for transactions before calendar year 2003 (the CEO filed his 2003 income tax returns in October 2004). Attachment 1 to this transmittal sets forth our calculation of the CEO's expenses, by calendar year, that should be treated as income.

The Smithsonian is a nonprofit entity under section 501(c)(3) of the Internal Revenue Code. The CEO is a "disqualified person" at the entity under the tax code because he is a senior executive. Those expenses that the SBV CEO did not substantiate would be considered an "automatic excess benefit" under the tax code because they were compensation that was not paid as compensation for services.[32] In other words, the employee received payment without providing equivalent services. If a nonprofit provides such a benefit to a disqualified person, it is supposed to provide contemporaneous written substantiation of its intent to treat that payment as compensation. By filing the appropriate tax information forms, the Institution may avoid the intermediate sanctions that would be imposed for having paid an excess benefit to the CEO.

- We recommend that the Board of Regents request the Acting Secretary to direct the Institution to treat as taxable income the CEO's inadequately supported expenses in the amount of $28,578.94 for tax year 2003, $14,248.13 for tax year 2004, and $22,407.65 for tax year 2005, and file the appropriate federal tax information forms.

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[30] *Aregoni* v. *Commissioner*, T.C. Summary Opinion 2005-65, p. 8.
[31] Internal Revenue Code § 6501.
[32] It is called an "excess benefit" because the amount paid to the disqualified person exceeds the benefit (the performance of services) received by the nonprofit organization.

Unauthorized Expenses

The independent accountant identified $33,265.03,[33] or approximately 16 percent of the total reviewed, as unauthorized expenditures because they did not conform to Smithsonian policies.

The CEO disputes the characterization of most of these transactions – amounting to $29,722 – as "unauthorized" because they represent expenditures on car service, both in the metropolitan Washington area and while on travel. The independent accountant characterized these expenses as such (note A to Schedule B-4) because there was no authorization for them, as required by Smithsonian travel policy. The CEO states that SBV's unwritten travel policy permitted him to use the car service routinely. Other Smithsonian executives (not in SBV) were aware of his use of car service and they, too, used car service regularly. The former SBV controller has stated that he believed that having SBV executives use car service, rather than wait for alternative means of transportation, was appropriate, and that he would review car service bills for reasonableness before approving them. We note that there was no evidence of advance written approval of the use of car service by the controller or anyone else in SBV, nor any written authorization to do so by the Secretary or the Board of Regents.[34]

Apart from the questions of documentation and approval, we would also note that use of car service may in certain circumstances qualify as an excessive expenditure. For example, $55 for car service from LaGuardia airport to downtown Manhattan may seem reasonable. But $920 for car service for a group of SBV and Smithsonian executives to and from New York airports and within Manhattan may or may not be. Whether it is reasonable would depend on a variety of factors, such as availability of taxis, scheduling, and the number of passengers. For those instances where it is not reasonable, the amount that is excessive would be the difference between the cost of the car service and what the cost would have been for a taxi, for example, for each trip. It would not be practical or an efficient use of our limited resources to conduct the necessary research first to determine for the approximately 160 transactions whether each use was appropriate and then, for those that were not, determine the excess amount.

Consequently, while the use of car service was unauthorized, given the circumstances, we make no recommendation regarding these expenditures, other than to the extent they were either unsupported or inadequately supported (and thus are included in amounts discussed above). In other words, we make no specific recommendation regarding the $4,457 in car service expenses that were fully documented.

Smithsonian travel policy, as updated in June 2007, states that the use of car service must be "advantageous" to the Institution.[35] Even with this update, which was in response to the Board of Regents' Governance Committee Report of June 14, 2007,

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[33] Of these expenditures, $25,265 lacked receipts and/or documentation of the business purpose and are therefore included in what we categorized as unsupported and inadequately supported amounts.
[34] Car service was an authorized expense for the Secretary of the Smithsonian because the Board of Regents allowed it, as explained in their Representation Letter to the independent accountant, and as ratified at their January 29, 2007 meeting.
[35] On June 18, 2007 the Board of Regents' Governance Committee voted to have the Smithsonian travel policy apply to SBV.

the policy provides little useful guidance. The Institution needs to spell out the standards that apply to the use of car service.

- We recommend that the Institution revise the travel policy and expenses policies to clarify that all employees should take the most economical and appropriate means of transportation under the circumstances, and to specify that car service may be used only in exceptional circumstances and must be justified and authorized in writing in advance.

The remaining transactions – those not involving car service – that the independent accountant characterized as unauthorized included reimbursement for two parking tickets ($40) and three instances where hotel charges exceeded the exception in the Federal Travel Regulation and Smithsonian policy that allows travelers who receive actual expenses, rather than per diem, to incur costs up to 300 percent of the per diem limits[36] ($712), a total of $752. The independent accountant also noted $2,791 in duplicate transactions that SBV could not prove had not been paid twice and therefore were unauthorized.

- We recommend that the Board of Regents request the Acting Secretary to direct the CEO to reimburse the Smithsonian for the $3,542.78 in unauthorized transactions.

Unreimbursed Personal Expenses on the Smithsonian Citibank Travel Card

In reconstructing documentation on behalf of the CEO for the Citibank payments, the accountant SBV contracted with to assist in assembling and reconstructing the CEO's documentation determined that as of the end of fiscal year 2005 the CEO had not reimbursed SBV for around $5,000 of personal expenses on his Smithsonian-issued travel card. While there may be tax consequences associated with this unreimbursed amount, because the Institution in essence provided an interest-free loan of that amount to the CEO, the considerable effort required to allocate the amounts to specific tax years and determine the appropriate interest that would apply to each personal expenditure would be significantly out of proportion to the few hundred dollars of interest that he would likely owe. In any event, the CEO should pay the Institution back the outstanding principal amount. He recently provided a check for $5,000 to SBV, pending further reconciliation of the accounts.

- We recommend that the Board of Regents request the Acting Secretary to direct the CEO to reimburse the Smithsonian for any personal expenditures on his Smithsonian-issued travel card that he has not yet reimbursed.

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[36] Although there was no documentation to support why the regular per diem limits were often exceeded, the independent accountant only questioned those that exceeded the 300 percent ceiling.

Nature of the Expenses

The CEO's expenditures consisted primarily of travel and meals (entertainment). Unlike the Secretary's non-travel expenditures, which were governed by his employment agreement and by Smithsonian policies regarding the expenditure of trust funds, the CEO's non-travel expenditures – absent express policy to the contrary – must only conform to the three requirements set forth in his delegation of authority from the Secretary (applicable law, business practice, and fiduciary duty).

While we did not see any expenditures that violated the law, and the majority did not violate policy, we question whether the CEO's expenditures were always in keeping with good business practices for a nonprofit organization or with his fiduciary obligation to the Smithsonian trust.

For example, the CEO's hotel charges exceeded federal lodging limits. He only provided receipts, which show daily rates, for 12 out of the more than 80 lodging transactions over the review period, and every one of the 12 exceeded the federal per diem limits by two or three times. Although Smithsonian travel policy and the Federal Travel Regulation allow travelers to receive reimbursement for actual expenses up to 300 percent of the per diem, the criteria under Smithsonian policy for doing so are so loose as to be almost meaningless: "[a]ctual expenses may ... be warranted because of mission requirements or any other reason approved by SI." Moreover, Smithsonian policy allowed authorization for actual expenses after the fact.[37] While these standards conform to the FTR, we believe that they do not adequately consider the fiduciary duty to the Smithsonian.

The Board of Regents' Governance Committee has undertaken a comprehensive review of Smithsonian travel and expenses policies, and the Regents' Executive Committee has recently approved interim policies that are more restrictive than current rules. We believe that the Institution should revise its travel policy to allow actual expenses (rather than per diem) only in exceptional, defined circumstances.

- We recommend that the Board of Regents request the Acting Secretary to revise the Institution's travel policy to establish stricter standards for when actual expenses, rather than per diem, may be authorized for travel.

The CEO occasionally charged to his travel card lunch and dinner meetings with other SBV executives in Washington D.C. and New York City.[38] Although the total amounts involved are not substantial (approximately $2,100 over the 5-year period), and it is a common practice in for-profit businesses, we do not believe it is appropriate for the nonprofit Smithsonian to pay for a $270 dinner for three SBV executives or a $194 dinner for two SBV executives at high-end Washington restaurants.

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[37] In March 2007, the Smithsonian issued a clarification to its travel policy providing, among other things, that actual expenses (versus per diem) were allowed if authorized in advance, but did not explain under what circumstances that would be appropriate.

[38] He also frequently charged dinners with individual SBV Board members, but that may be more appropriate because SBV Board members receive no remuneration for their services. In addition, the CEO often had relatively expensive business meals with potential and existing business partners, a practice common in the for-profit world.

We also saw staff-only breakfasts, working lunches, and celebrations paid for by SBV, a practice that did not violate any applicable rules but that was not permitted elsewhere in the Smithsonian through most of the period of this review.[39] Again, we do not believe these practices are appropriate for an entity whose purpose is to generate funds for the charitable purposes of the Smithsonian. We are pleased that the Board of Regents' Governance Committee recently directed that SBV follow Smithsonian-wide policies, which we assume includes the rules allowing Smithsonian-funded staff-only meals only in limited circumstances.

The Acting Secretary is planning a comprehensive reexamination of the mandate, structure and operations of SBV. We believe that during this process, he and the Regents should carefully consider the implications of having a business organization modeled on the private sector that operates under different rules and expectations than the rest of the Institution. Some of the problems we observed during this review arose because SBV was set up to operate outside Institution practices without adequate oversight. Business practices from the private sector may have overshadowed the fiduciary duty to the Smithsonian Trust. One important part of the reexamination should be to decide which practices of for-profit businesses – or for-profit aspects of nonprofit organizations such as universities – regarding expenses, if any, SBV should retain. Best practices in the nonprofit sector suggest that decisions on expenses should be based only on how best to further the organization's charitable purposes.

IV. Internal Control Issues

A significant challenge in performing the agreed-upon procedures was the state of SBV's internal controls over business expenses. In addition to much of the underlying documentation not having been retained, we observed weaknesses related to the internal controls over expenses that undermine our confidence that all the unsupported and inadequately supported expenses were necessarily reasonable and appropriately justified. While these weaknesses may not have been solely the fault of the CEO, he is responsible for the overall control environment at SBV. Responsibility also rests with Smithsonian management, which did not always fully enforce or monitor compliance with its policies and thereby tacitly condoned some of the practices we describe below.

As the Independent Review Committee[40] noted in its recent report, "[i]n the nonprofit context, an essential element of good financial controls is a system for assuring that expenses are properly documented, support the organization's mission and are not lavish or extravagant . . . . Basic failures of internal controls put the Smithsonian and its Regents at risk of liability and adverse publicity."

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[39] Until December 2004, the Smithsonian prohibited the use of certain unrestricted trust funds (the only ones that would be available for such discretionary uses) for staff-only meals. SBV was not covered by this policy, however, as its funds did not fall within those classifications. The policy changed in December 2004 to allow staff-only lunches under limited circumstances.

[40] In March 2007, the Board of Regents appointed an Independent Review Committee to provide an assessment of concerns surrounding executive compensation and expenses at the Institution.

Lax Recordkeeping

The documentation for the majority of the expenses examined was not available initially, indicating poor recordkeeping practices. Smithsonian policies require that financial documents be kept for over 6 years.[41] That the majority of the supporting documentation for the CEO's expense transactions could not be located,[42] and that SBV had to reconstruct support by obtaining copies of Citibank statements and researching old electronic calendars, itineraries and other documents, suggest weaknesses in internal controls.

Whatever the cause, care was not taken to preserve these documents. Smithsonian policy states that "[a]ll documents created or received by employees of SI in the course of official business are records of the Institution, and none may be disposed of except in accord [with guidelines] established by the Smithsonian Archives." To our knowledge, SBV has not complied with this policy with regard to records related to the CEO's business expenses. Had SBV done so, it is less likely that the documents would have been lost.

Lack of Written Policies and Procedures

SBV had no written policy setting forth standards for approval, substantiation requirements, or other basic rules for travel and other business expenses until June 2006 (after the period covered by this review). Written policies are necessary to ensure the consistent and continuous application of official procedures. Without written criteria, it is difficult to ensure expenses are proper and not fraudulent or wasteful. It is disturbing that an office with a fiduciary duty to the trust resources of the Smithsonian would fail to articulate in writing some basic rules for safeguarding those resources.[43]

The CEO states that there were unwritten rules, as detailed by the former controller in a declaration he made in April 2007. (As noted earlier, the Smithsonian travel policy still applied in any event.) According to that declaration, the unwritten policy consisted of the controller reviewing the CEO's travel card statements and other expense documentation for reasonableness, and collecting the necessary support (such as receipts) as the CEO provided it. According to the declaration, the CEO would note on the travel card statement which expenses were personal and "typically" include a check to Citibank for that amount. We note that the CEO charged personal expenditures (generally for relatively small amounts) on his Citibank travel card 22 months out of the 60 months reviewed. See Attachment 2 to this transmittal.

We spoke with the former controller for further clarification and he explained that he occasionally would pay the travel card balances as they were due before receiving full

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[41] For example, the Smithsonian Travel Manual states that "units are required to retain [official travel-related] receipts for at least six years and three months."

[42] This review began in August 2006. We received supporting documentation such as duplicate receipts as recently as May 1, 2007.

[43] The former SBV controller's declaration states that SBV lacked the time and resources to create written policies because of the start-up nature of SBV. SBV began in late 1999. Simple expenses policies may be downloaded from the internet or borrowed from other business concerns and modified as appropriate.

documentation for the actual expenses. He stated that he would usually – but not always – receive what he deemed to be adequate documentation within 90 days. The controller also explained that although he did require receipts or similar documentation from the CEO to support travel expenditures, he did not require the CEO to submit formal vouchers or expense reports, contrary to what was required of other SBV employees.

The former controller also stated that there were instances when the travel card statements were lost, and that while waiting for replacement statements, he would pay lump-sum advances to Citibank so that the CEO's account would not become delinquent. As Attachment 2 shows, such lump-sum payments were made on eight Citibank statements (or 13 percent of the 60-month period covered by this review), in amounts ranging from $2,000 to $10,000. We also note that the CEO's Citibank travel card carried a *credit* balance 36 months out of the 60 months reviewed (or 59 percent of the time), in one instance for over $9,000. The lack of correlation between expenditures and payments made is troubling.

The former controller's declaration also stated that the Institution's external financial statement auditor, KPMG, would test supporting documentation for selected payments at SBV, and that he did not believe KPMG had ever questioned the adequacy of supporting documentation for the CEO's travel or other business expenses. We note that KPMG never performed an audit of SBV, only an audit of the entire Institution, of which SBV is but one part. KPMG did test internal controls over cash disbursements at SBV, but told us that it was not aware of having performed any specific testing of SBV travel or other reimbursable expenses. In any event, KPMG provided no opinion or assurances regarding such expenses or associated internal controls at SBV.

Lack of Compliance with Travel Card Policies

SBV and the SBV CEO in many instances did not adhere to or enforce Smithsonian travel card policies. The CEO's Citibank travel card was Smithsonian-issued. The Citibank travel card is issued to the individual, and the individual is financially responsible for timely paying the charges on that card. The individual is then to be reimbursed for his or her documented expenses. The travel card agreement, which every cardholder signs, specifically states that the card is not to be used for personal expenditures. This rule was reiterated in the Smithsonian travel policy, as well as in regular Smithsonian-wide email announcements.[44] Moreover, the card is not supposed to be used for local expenditures. Nonetheless, SBV paid the CEO's travel card expenditures directly (less an amount identified by the CEO as personal expenses), rather than having the CEO pay it himself and then seek reimbursement.[45]

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[44] A Smithsonian-wide email announcement from the Office of the Chief Financial Officer dated February 7, 2003, states in the first paragraph: "[T]ravel cardholders are hereby reminded that they are financially responsible for all charges on the monthly statements they receive from Citibank and may only use their Smithsonian travel cards for expenses related to out-of-area travel on official Smithsonian business. . . . [U]se of a Smithsonian travel card for expenses not related to official out-of-area travel constitute[s] misuse and/or abuse of travel cards." Such email announcements appear approximately twice a year.

[45] We also note SBV's questionable practice of paying the CEO's charge card statements with mixed personal and business expenses, directly, and in advance before all the documentation supporting those

In addition, the CEO used his card for personal expenses and for local business expenses, and SBV permitted him to do so.[46]

The Smithsonian's travel office warned SBV that these uses were improper, but never cancelled the card or imposed other sanctions for repeated violations of this policy, reportedly because SBV claimed not to be subject to the rules. Yet the various announcements and policies stated that misuse of the card could lead to disciplinary action. In other words, Smithsonian management allowed these misuses of the card to continue. We note that the Smithsonian does have internal controls for its travel card program and enforces the rules against others. A number of Smithsonian employees have been disciplined for violating the travel card rules.

In addition, the CEO used his own charge card for business expenses, and SBV paid that credit card company directly for those expenses that the CEO indicated were for business purposes (rather than reimbursing the CEO) until late fiscal year 2002. That use violated Smithsonian policy and, in our opinion, is not a reasonable business practice. While exceptions likely exist, expenses policies we reviewed from the private sector require the use of the organization's charge card, rather than personal credit cards, for business transactions.

SBV apparently applied a different (if unarticulated) standard to the CEO. According to our discussion with the former SBV controller, other SBV employees (with some exceptions in earlier years) were required to and did pay their travel cards directly and got reimbursed based on receipts and other appropriate documentation, and they generally did fill out expense reports and follow Smithsonian travel rules, with the exception that they often used the travel card locally.

Because of the internal control and documentation issues we have discussed, we will conduct a comprehensive review of the CEO's expenses for fiscal years 2006 and 2007.[47]

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expenses was available. Smithsonian policy and the travel card rules do not even contemplate this possibility.

[46] Had the CEO used his Citibank card only for business expenses, it might have been a more reasonable business practice for SBV to have paid Citibank based only on the statement, although it would still violate the travel card agreement and Smithsonian policies. We also note that the CEO used his Citibank card for other employees' expenses, also a violation of policy. We removed over $5,000 worth of expenditures on the CEO's Citibank card from the scope of this review because once supporting documentation was found, it showed the expenses were on behalf of others.

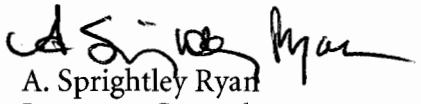
[47] The CEO has announced he will not renew his employment contract, which expires in September 2007.

In summary, we believe it was inconsistent with reasonable business practice for an organization with annual revenues exceeding $150 million not to have a written expenses policy, or at least some written standards regarding business expenses, until after 6 years of operation; to have a subordinate approve his superior's expenses without measuring them against an articulated standard; to allow repeated personal use of a business travel card; to pay off travel card statements that commingled business and personal expenses without complete documentation and often by lump-sum payments; and to have paid the CEO's card directly instead of reimbursing him for documented expenses. Such practices do not set the proper tone, especially for an entity that is part of a nonprofit organization.

More importantly, we question whether the SBV CEO, SBV management, and to some extent Smithsonian management, sufficiently considered the Smithsonian's nonprofit and trust status. Inattention to recordkeeping and substantiation of expenses do not indicate careful stewardship of the Institution's limited resources.

The CEO and Smithsonian management must exercise their fiduciary duty – their duty of care – by diligently safeguarding the organization's assets and financial transactions. Our observations during the course of this review suggest that significantly greater attention must be paid to this fundamental responsibility.

Very truly yours,



A. Sprightley Ryan
Inspector General

cc Cristián Samper K., Acting Secretary
John E. Huerta, General Counsel
Sheila P. Burke, Deputy Secretary and Chief Operating Officer
Gary M. Beer, Chief Executive Officer, Smithsonian Business Ventures

Attachment 1

Unsupported Expenses (all years)

Unsupported expenses total from B-2	$	5,476.71
LESS SoFA transactions from B-2	$	(4,559.60)
Remaining unsupported expenses	**$**	**917.11**
PLUS (1) Citibank with no receipts/no business purpose from B-1	$	9,432.12
PLUS (2) Non-Citibank with no receipts/no business purpose from B-3	$	10,607.49
PLUS (3) Non-Citibank with no business purpose from B-3	$	1,375.19
PLUS (4) Citibank car service with no receipts/no business purpose from B-4	$	3,823.45
Total Unsupported Expenses	**$**	**26,155.36**

Total Inadequately Supported Transactions (all years)

Total Inadequately Supported from B-1	$	100,999.97
Total Inadequately Supported from B-3	$	25,742.07
Total Inadequately Supported Transactions	**$**	**126,742.04**
LESS (1) Citibank with no receipts/no business purpose from B-1	$	(9,432.12)
LESS (2) Non-Citibank with no receipts/no business purpose from B-3	$	(10,607.49)
LESS (3) Non-Citibank with no business purpose from B-3	$	(1,375.19)
PLUS Citibank and non-Citibank car service with no receipts from B-4	$	21,441.75
LESS transactions $75 and under from B-1, B-3, and B-4	$	(7,146.55)
Total Inadequately Supported Transactions	**$**	**119,622.44**

Inadequately Supported Transactions (Tax Years 2003-2005)

	2003	2004	2005
Inadequately Supported (no receipts) from B-1	$ 25,519.93	$ 11,987.19	$ 12,849.91
PLUS Inadequately Supported (no receipts) from B-3	-	$ 0.06	$ 2,625.00
PLUS Inadequately Supported (no receipts) from B-4	$ 4,551.00	$ 3,815.00	$ 8,047.50
Total Inadequately Supported	**$ 30,070.93**	**$ 15,802.25**	**$ 23,522.41**
LESS transactions $75 and under from B-1 (no receipts)	$ 1,122.99	$ 1,496.12	$ 972.26
LESS transactions $75 and under from B-3 (no receipts)	-	-	-
LESS transactions $75 and under from B-4 (no receipts)	$ 369.00	$ 58.00	$ 142.50
Total transactions $75 and under	**$ 1,491.99**	**$ 1,554.12**	**$ 1,114.76**
Total Inadequately Supported (less $75 and under transactions)	**$ 28,578.94**	**$ 14,248.13**	**$ 22,407.65**

Notes:

Smithsonian travel policy does not require receipts for expenses $75 and under so long as they are authorized. We therefore eliminated those transactions $75 and under for which the CEO was able to prove a business purpose.

We calculated the 2003 inadequately supported (no receipts) figure starting with February 2003 dates. We did not include January 2003 figures in this total because all the expenses cited on the January 2003 invoice were incurred in 2002.

Attachment 2

CEO's Citibank Travel Card Statements by Month
FYs 2001 Through 2005*

Citibank Invoice Date	Beginning Balance	Personal Payments	SBV Payments Lump-Sum	SBV Payments Other	Credits	New Charges	Expense Included in New Charges	Ending Balance
10/12/2000	2,183.40			2,183.40	-	2,161.28		2,161.28
11/12/2000	2,161.28	22.73		2,138.55	470.40	6,382.77		5,912.37
12/12/2000	5,912.37			-	1,844.50	2,779.51	226.44	6,847.38
1/12/2001	6,847.38			6,847.87	-	2,100.42		2,099.93
2/12/2001	2,099.93			8,947.31	-	5,242.21		(1,605.17)
3/12/2001	(1,605.17)			10,484.82	437.50	3,508.47		(9,019.02)
4/12/2001	(9,019.02)			-	-	769.63		(8,249.39)
5/12/2001	(8,249.39)			-	138.80	1,057.19		(7,331.00)
6/12/2001	(7,331.00)			-	2,352.00	3,192.67		(6,490.33)
7/12/2001	(6,490.33)			-	406.00	1,548.51	96.54	(5,347.82)
8/12/2001	(5,347.82)			-	-	3,064.06	71.50	(2,283.76)
9/12/2002	(2,283.76)	207.04		-	-	2,521.65	160.58	30.85
10/12/2002	30.85			2,953.56	764.47	1,782.09		(1,905.09)
11/12/2001	(1,905.09)			-	888.50	2,291.03		(502.56)
12/12/2001	(502.56)	160.58		2,361.07	512.25	1,355.33		(2,181.13)
1/12/2002	(2,181.13)			-	260.50	1,112.65	244.00	(1,328.98)
2/12/2002	(1,328.98)	244.00	5,000.00		-	2,254.15	624.57	(4,318.83)
3/12/2002	(4,318.83)			-	-	1,232.78		(3,086.05)
4/12/2002	(3,086.05)	588.82		1,665.33	298.50	3,856.78		(1,781.92)
5/12/2002	(1,781.92)			3,856.78	196.00	2,000.76		(3,833.94)
6/12/2002	(3,833.94)			-	24.00	1,946.87		(1,911.07)
7/12/2002	(1,911.07)			3,727.63	47.00	5,577.19	217.35	(108.51)
8/12/2002	(108.51)			3,914.37	365.50	2,393.84	68.00	(1,994.54)
9/12/2002	(1,994.54)			3,215.57	-	3,596.84	54.00	(1,613.27)
10/12/2002	(1,613.27)			5,427.63	120.00	5,254.12	393.74	(1,906.78)
11/12/2002	(1,906.78)			10,466.73	-	3,797.25		(8,576.26)
12/12/2002	(8,576.26)			-	592.00	3,819.66		(5,348.60)
1/12/2003	(5,348.60)	447.74		-	-	1,202.84		(4,593.50)
2/12/2003	(4,593.50)			-	3,871.90	12,570.81		4,105.41
3/12/2003	4,105.41			11,203.47	44.00	1,373.13		(5,768.93)
4/12/2003	(5,768.93)			-	42.28	2,646.88	588.90	(3,164.33)
5/12/2003	(3,164.33)	1,019.00		-	371.00	2,530.00		(2,024.33)
6/12/2003	(2,024.33)			1,627.88	-	4,992.16	1,259.68	1,339.95
7/12/2003	1,339.95			-	-	3,106.57		4,446.52
8/12/2003	4,446.52			6,256.48	-	6,253.99	39.34	4,444.03
9/12/2003	4,444.03			-	-	4,597.63		9,041.66
10/12/2003	9,041.66		5,000.00		-	2,298.73	321.50	6,340.39
11/12/2003	6,340.39		10,000.00		136.50	1,047.53	220.00	(2,748.58)
12/12/2003	(2,748.58)		5,000.00		-	1,033.00		(6,715.58)
1/12/2004	(6,715.58)			-	-	3,473.51		(3,242.07)
2/12/2004	(3,242.07)			-	-	4,188.60	3,242.07	946.53
3/12/2004	946.53		5,000.00		162.10	405.22	65.22	(3,810.35)
4/12/2004	(3,810.35)			-	141.00	2,846.98		(1,104.37)
5/12/2004	(1,104.37)		5,000.00		-	892.24		(5,212.13)
6/12/2004	(5,212.13)			-	-	2,124.62		(3,087.51)
7/12/2004	(3,087.51)			-	77.60	1,408.73		(1,756.38)
8/12/2004	(1,756.38)			-	67.60	1,535.50		(288.48)
9/12/2004	(288.48)			-	-	1,550.95	145.95	1,262.47
10/12/2004	1,262.47		2,000.00		-	3,186.17	167.60	2,448.64
11/12/2004	2,448.64	73.00		1,477.95	565.30	6,334.15		6,666.54
12/12/2004	6,666.54			-	-	570.55	35.00	7,237.09
1/12/2005	7,237.09		10,000.00		156.70	2,362.68		(556.93)
2/12/2005	(556.93)	2,212.94		-	164.90	6,166.47		3,231.70
3/12/2005	3,231.70			2,405.98	156.90	3,633.38		4,302.20
4/12/2005	4,302.20			3,476.48	-	35.00		860.72
5/12/2005	860.72			895.72	-	2,650.03	594.00	2,615.03
6/12/2005	2,615.03			-	410.90	3,473.64		5,677.77
7/12/2005	5,677.77	594.00		2,056.03	442.60	3,335.14	627.26	5,920.28
8/12/2005	5,920.28			3,062.74	222.70	5,724.82		8,359.66
9/12/2005	8,359.66			2,001.75	687.32	2,275.00		7,945.59
10/12/2005	7,945.59			5,502.12	-	5,414.93		7,858.40
Subtotal**		5,569.85	47,000.00	108,157.22	17,439.22	183,841.29	9,463.24	

Note: Shaded figures in the "Ending Balance" column represent months when the card carried a credit balance.

* This spreadsheet is based on a reconciliation and reconstruction conducted by a consulting accountant for the SBV CEO.

** Subtotals do not match the amounts reported in the review because certain charges were not made on behalf of the CEO, and certain payments and charges were outside the time period covered by the review.

SMITHSONIAN INSTITUTION
OFFICE OF THE INSPECTOR GENERAL AND THE
INSTITUTION'S CHIEF FINANCIAL OFFICER

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO SMITHSONIAN BUSINESS VENTURES CHIEF EXECUTIVE OFFICER COMPENSATION AND EXPENSES

June 8, 2007

Cotton & Company LLP
Auditors · Advisors
635 Slaters Lane, 4th Floor
Alexandria, Virginia 22314

SMITHSONIAN INSTITUTION
OFFICE OF THE INSPECTOR GENERAL AND THE
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INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES TO
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CONTENTS

Section	Page
Independent Accountants' Report on Applying Agreed-Upon Procedures	1
Appendix A: Reference Material and Guidance Provided by the Smithsonian Institution	A-1
Schedule B-1: Schedule of Inadequately Supported Transactions - Citibank	B-1-1
Schedule B-2: Schedule of Unsupported Transactions - Other	B-2-1
Schedule B-3: Schedule of Inadequately Supported Transactions - Other	B-3-1
Schedule B-4: Schedule of Unauthorized Transactions	B-4-1

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 8, 2007

To the Audit and Review Committee of the Board of Regents:

Cotton & Company LLP has performed the procedures enumerated below, which were agreed to by the Smithsonian Institution Office of the Inspector General and the Institution's Chief Financial Officer, solely to assist you in evaluating compensation of the Chief Executive Officer (CEO) of Smithsonian Business Ventures (SBV) and in determining if travel and other reimbursable expenditures incurred by the CEO were considered reasonable in the context of a business expense related to the SBV mission. The Smithsonian was responsible for preparing the two schedules provided for our agreed-upon procedures: Schedule of Expenditures of the Office of the CEO and Schedule of Compensation for the CEO.

We conducted this agreed-upon procedures engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of procedures described below either for the purpose for which this report has been requested or for any other purpose.

OBJECTIVES

1. Determine if transactions included on the Schedule of Expenditures were properly accounted for.

2. Determine if transactions included on the Schedule of Expenditures were valid business expenses related to the Smithsonian mission or not incurred in accordance with Smithsonian policies and guidance.

3. Verify total compensation paid to the CEO to include, if applicable:

   - Salary
   - Bonuses
   - Benefits
   - Housing allowances
   - Honoraria
   - Loans or cash advances
   - Housing or relocation expenses
   - Automobile allowances
   - Other remuneration or compensation, including severance and deferred compensation

BACKGROUND AND SCOPE

The Secretary of the Smithsonian, on behalf of the Audit and Review Committee of the Board of Regents, requested an independent third-party review of the SBV CEO's expenditures and compensation. The Smithsonian Office of the Inspector General contracted with Cotton & Company to test the Schedule of Expenditures prepared by the Chief Financial Officer (CFO) of SBV and the Schedule of Compensation, prepared by the Comptroller of the Smithsonian. The periods of the agreed-upon procedures follow:

- Schedule of Compensation: Fiscal Years (FY) 2000 through 2005.
- Schedule of Expenditures: FYs 2001 through 2005. Before FY 2001, SBV's accounting was performed by the Smithsonian Institution, and expenditure records were in storage.

To gain an understanding of requirements of this agreed-upon procedures engagement, Cotton & Company met with the Inspector General (IG) and SBV representatives on July 26, 2006, and on subsequent dates as necessary. We tested schedules prepared by the Smithsonian Office of the CFO and by the SBV CFO as well as supporting documentation.

In addition, we reviewed policies and procedures, references, handbooks, and memorandums provided by the Smithsonian as guidance to assist us in addressing the agreed-upon procedures. A comprehensive list of policies and guidance is provided in Appendix A. We provided periodic status updates to the IG and Smithsonian staff as well as the draft report documenting agreed-upon procedures results.

Initially, SBV identified 839 transactions totaling $856,953 for testing. Subsequently, however, 506 transactions totaling $654,294 were eliminated by the IG from the scope of our agreed-upon procedures, because these were not expenditures made on behalf of or to the CEO, leaving transactions totaling $202,659 in the scope of our agreed-upon procedures. Initially, supporting documentation was provided by the SBV Finance Office. We summarized the results of that testing, identifying a significant portion of the transactions as unsupported or inadequately supported because documentation was not provided. Subsequently, SBV provided additional documentation provided by other SBV offices. We again provided a summary of provided documentation, and what still remained unsupported. A significant portion of unsupported and inadequately supported costs related to expenditures on the CEO's Smithsonian Citibank credit card. As a result of the significant portion of unsupported or inadequately supported costs, and because SBV made lump-sum payments to Citibank, SBV reconstructed all Citibank expenditure transactions for our testing. We tested this reconstruction and additional supporting documentation and revised our summaries of unsupported and inadequately supported transactions.

Documentation provided to support expenditures included Citibank statements, vendor invoices, receipts, itineraries, calendars expense vouchers, and personal recollection. To determine if expenditures were properly accounted for, we tested the supporting documentation to identify the amount, date, location and cost type as well as business purpose of the expense. If SBV could not provide the receipt and could also not identify the business purpose of the transaction, we classified the expenditures as Unsupported. If SBV could not provide either the receipt or identify the business purpose, we classified the transaction as Inadequately Supported. Additionally, credit card expenditures that were only supported by a monthly credit card statement (without receipts or business purposes) were also classified as Inadequately Supported.

AGREED-UPON PROCEDURES AND RESULTS

A-1. Trace all expenditures reported on the Schedule of Expenditures[1] to source documentation and determine if expenditures were properly accounted for. Document all exceptions.

The scope of our agreed-upon procedures included $202,659 of expenditures incurred from October 1, 2000, through September 30, 2005. For ease in reporting, we segregated our results between expenses paid to the CEO's Citibank credit card ($145,734) and other expenses ($56,925), including charges on his personal credit card.

Citibank Credit Card Expenses

SBV made periodic payments to Citibank that were different than the ending balance, such as lump-sum payments or payments for specifically-identified expenditures (but not all expenditures). In addition, the CEO used the credit card for personal expenditures, and in some cases the CEO made personal payments to Citibank. Therefore, it was not possible to trace individual payments to appropriate supporting documentation. To address this problem, SBV summarized all payments during the scope of our agreed-upon procedures and reconciled those payments to expenditures shown on the monthly statements as follows:

Expenditures recorded on SBV records	$145,734
Expenditures reported on Citibank monthly statements	168,563
Difference	$(22,829)

The difference between payments recorded in the SBV accounting system and expenditures identified on the credit card statements can be attributed to several factors, including:

- Our testing started with the November 12, 2000, credit card statement, which includes $4,322 of expenditures that were incurred prior to the scope of our review.
- Our testing ended with the October 12, 2005, credit card statement. There was an ending balance on the credit card of $7,858.
- The CEO used the credit card for personal charges and made payments to the credit card company from his personal accounts. SBV identified $5,547 of payments made by the CEO to Citibank.[2]
- Transactions of $5,102 charged to the Citibank card were eliminated from the scope of our agreed-upon procedures, because they were not expenditures made on the CEO's behalf.

[1] The Schedule of Expenditures was prepared by the Smithsonian and was not reviewed by Cotton & Company for completeness.
[2] We did not verify payments were made from the CEO's personal accounts.

Of the $168,563 reported on Citibank statements, SBV identified $157,538 as business expenditures and $11,025 as the CEO's personal expenditures. Of the $11,025 identified as personal expenditures, $1,658 was reported on credit card statements prior to November 12, 2000. SBV calculated that as of September 30, 2005, the CEO had not reimbursed SBV for $5,478 of his personal expenditures ($11,025 expended less $5,547 that was reimbursed).

The Citibank statement for one $96.54 expenditure (identified by SBV as business) contained a notation that the charge was personal. SBV was unable to provide a receipt or business purpose for this charge (7-12-01, Red Eye Grill $96.54). We classified this amount as inadequately supported in Schedule B-1. If the amount is ultimately determined to be personal, however, then unreimbursed personal expenditures total $5,575.

Of the $157,538 identified as business expenditures, $2,664 was reported on credit card statements prior to November 12, 2000, and $5,102 was eliminated as described above. We traced remaining expenditures of $149,772 to source documentation. SBV could not provide sufficient source documentation to support $125,438 of these expenditures as follows:

- Documents provided for $13,255 did not include evidence of a business purpose and did not include receipts. Of these expenditures, $3,823 was identified as unauthorized car services (Note A to Schedule B-4). The remaining expenditures of $9,432 are classified as inadequately supported, because neither business purpose nor receipts were provided (see Schedule B-1).

- Documents provided for $112,193 included itineraries, calendars, and other evidence of a business purpose, but did not include receipts. Of these expenditures, $20,625 was identified as unauthorized car services (Note A to Schedule B-4). The remaining expenditures of $91,568 are classified as inadequately supported, because although a business purpose was provided, receipts were not provided (see Schedule B-1).

Other Expenses

Remaining expenditures under review totaled $56,925. SBV could not provide sufficient source documentation to support $31,218 of these expenditures, as follows:

- No documents were provided for $5,477. These expenditures are classified as unsupported in Schedule B-2.

- Documents provided for $10,607 did not include evidence of a business purpose or receipts. These expenditures are classified as inadequately supported in Schedule B-3.

- Documents provided for $1,375 included receipts, but did not include evidence of a business purpose. These expenditures are classified as inadequately supported in Schedule B-3.

- Documents provided for $13,759 included evidence of a business purpose, but did not include receipts. These expenditures are classified as inadequately supported in Schedule B-3.

A-2. Review supporting documentation for all transactions and identify expenses not fulfilling the Smithsonian mission or not incurred in accordance with Smithsonian policies and guidance provided by Smithsonian staff. Document all exceptions.

Of the $202,659 tested, we identified expenditures of $33,265 that did not appear necessary to fulfill the Smithsonian mission or were not incurred within limits prescribed by Smithsonian policies, and therefore classified them as unauthorized. Smithsonian policies and guidance provided to us are identified in Appendix A. Detail for these expenditures and the reason why each was identified as unauthorized are provided in Schedule B-4.

In addition, we noted that the CEO's Citibank card is a Smithsonian-issued travel card. The Smithsonian travel policy prohibits the use of this card for personal expenses and for expenses that are not related to official out-of-area travel. The CEO charged both local business and personal expenses on his Citibank card. A Smithsonian Travel Services Office representative stated that many SBV employees did not use their travel cards in accordance with Smithsonian policy. The Travel Services Office warned SBV on numerous occasions that the cards should only be used for official out-of-town travel charges, but was told not to close the cards by the former Director of the Office of Contracting.

As explained in A-1 above, SBV identified $9,367 of personal expenditures charged to the CEO's Citibank card during the testing period. In addition, we identified $18,290 of Citibank charges, described by SBV as business-related, for meals at local restaurants and other expenses not related to out-of-area travel. We did not identify the CEO's local expenditures as unauthorized in Schedule B-4, because it was the CEO's means of payment that was not authorized and not the expenditure itself.

B-1. Trace amounts reported on the Schedule of Compensation[3] to taxable wage amounts reported on Internal Revenue Service (IRS) Forms 990 (Non-Profit Tax Returns), SBV's Earnings Statements, the CEO's IRS Form W-2s (Record of Compensation), employment agreements, and approval memorandums.

Amounts shown on the Schedule of Compensation were not supported by the above documentation as follows:

- SBV could not provide Earnings Statements for Calendar Years (CYs) 1999, 2000, 2001, and 2002. We were thus unable to trace amounts reported through December 2002 to those documents.

- Amounts reported on the Schedule of Compensation did not tie to W-2s, taxable wage amounts reported on the Forms 990, and/or the CEO's employment agreement, as follows:

[3] The Schedule of Compensation was prepared by the Smithsonian and was not reviewed by Cotton & Company for completeness.

	CY 2000	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005
Taxable wage amounts Per Schedule	$431,558	$341,457	$413,799	$442,523	$465,066	$566,141
Taxable wage amounts Per W-2	434,108	349,401	449,629	442,522	465,066	566,140
Difference	$(2,550)	$(7,944)	$(35,830)	$1	$0	$1
Taxable wage amounts per Schedule	$431,558	$341,457	$413,799	$442,523	$465,066	$566,141
Taxable wages based on CEO agreement	431,133	347,879	440,641	442,524	465,066	566,140
Difference	$425	$(6,422)	$(26,842)	$(1)	$0	$1

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Taxable wage amounts Per Schedule	$334,097	$443,994	$431,965	$452,098	$469,799	$556,901
Taxable wage amounts Per Form 990	323,918	449,927	451,793	452,098	469,799	570,317
Difference	$10,179	$(5,933)	$(19,828)	$0	$0	$(13,416)

The Schedule of Compensation did not include expenditures for housing allowances, honoraria, loans or cash advances, housing or relocation expenses, or automobile allowances.

B-2. Re-compute bonuses in accordance with employment agreements, and compare results to actual payments made.

The CEO's employment agreement provided for an initial signing bonus and annual incentive bonuses. The annual incentive bonus has two components:

- **Financial Goal Incentive.** Based on a comparison of SBV net gain for each fiscal year to the budgeted net gain for that year.
- **Operational Goal Incentive.** Based on the CEO's achievement of certain operational and organizational goals each fiscal year.

For each fiscal year except FY 2004, we obtained the Smithsonian compensation committee's bonus recommendation and verified that the calculation of both components was performed in accordance with the CEO's employment agreement. We then compared the total calculated bonus to the amount paid. SBV provided the compensation committee's recommended FY 2004 financial goal incentive bonus, but did not provide the FY 2004 operational goal incentive bonus recommendation. The FY 2004 re-computed bonus amount thus includes only the financial goal incentive bonus, while the payment includes both the financial and the operational goal incentive bonuses. Our results are as follows:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Bonus payments	$101,590	$116,393	$103,275	$120,973	$208,075	$149,240
Re-computed bonus Amounts	101,590	117,383	103,275	120,973	183,680	149,240
Difference	$0	$(990)	$0	$0	$24,395	$0

C-1. Obtain a management representation letter from SBV management to confirm to the best of their knowledge that representations were accurate and pertained to the period under review.

We requested and received management representation letters from SBV and Smithsonian management.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of opinions on the schedules described in the first paragraph. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the information and use of the Office of the Inspector General, the Smithsonian, and SBV and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

Sam Hadley, CPA, CGFM
Partner

APPENDIX A

REFERENCE MATERIAL AND GUIDANCE PROVIDED BY THE SMITHSONIAN INSTITUTION

APPENDIX A
REFERENCE MATERIAL AND GUIDANCE PROVIDED BY THE SMITHSONIAN INSTITUTION

Decision Brief for the Under Secretary, August 4, 1998

Smithsonian Institution Travel Policies and Procedures Manual, in effect from June 29, 2000 through May 22, 2005

Smithsonian Directive (SD) 312, Travel, May 23, 2005

Smithsonian Institution Travel Handbook, May 23, 2005

Smithsonian Institution Employment Agreement for the CEO, effective August 16, 1999 through September 30, 2002

Smithsonian Institution Employment Agreement for the CEO, effective August 21, 2001 through September 30, 2004

Smithsonian Institution Employment Agreement for the CEO, effective March 3, 2004 through September 30, 2007

Smithsonian Institution Employment Agreement for the CEO, effective September 23, 2005 through September 30, 2007

Statement of Authority of Chief Executive Officer of Smithsonian Business Ventures, June 20, 2000

OIG's Conclusions on the Applicability of Smithsonian Travel Policies, September 28, 2006

APPENDIX B

SCHEDULES OF UNSUPPORTED, INADEQUATELY SUPPORTED, AND UNAUTHORIZED TRANSACTIONS

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
11/12/2000	GTE Air	$10.41	no receipts or business purpose
11/12/2000	GTE Air	6.84	no receipts or business purpose
11/12/2000	United Air	(470.40)	no receipts or business purpose
11/12/2000	Shun Lee Palace	114.24	no receipts or business purpose
11/12/2000	Docks	63.34	no receipts or business purpose
11/12/2000	GTE Air	99.86	no receipts or business purpose
12/12/2000	Delta Air	(340.50)	no receipts or business purpose
12/12/2000	Delta Air	(48.50)	no receipts or business purpose
12/12/2000	USAir	(48.50)	no receipts or business purpose
12/12/2000	AIRgrd	22.02	no receipts or business purpose
12/12/2000	Delta Air	196.00	no receipts or business purpose
12/12/2000	Delta Air	(97.00)	no receipts or business purpose
12/12/2000	Southwest air	71.00	no receipts or business purpose
12/12/2000	Hertz Rent-A-Car	-	no receipts or business purpose
1/12/2001	AMTRACK	98.00	no receipts or business purpose
1/12/2001	Old Ebbit Grill	158.50	no receipts or business purpose
1/12/2001	Delta Air	91.00	no receipts or business purpose
1/12/2001	Airgrd	10.12	no receipts or business purpose
3/12/2001	US Airways	91.50	no receipts or business purpose
4/12/2001	US Airways	91.50	no receipts or business purpose
5/12/2001	US Airways	91.50	no receipts or business purpose
5/12/2001	Metro Wash Airport	14.00	no receipts or business purpose
5/12/2001	The Occidental Grill	90.35	no receipts or business purpose
5/12/2001	US Airways	93.00	no receipts or business purpose
6/12/2001	Southwest Air	71.50	no receipts or business purpose
6/12/2001	Embassy Suites	4.03	no receipts or business purpose
7/12/2001	Red Eye Grill	96.54	no receipts or business purpose
7/12/2001	Washington Flyer Taxi	52.25	no receipts or business purpose
7/12/2001	Amoco	13.86	no receipts or business purpose
8/12/2001	Loews L'Enfant	32.50	no receipts or business purpose
8/12/2001	Capital Grill	76.46	no receipts or business purpose
10/12/2001	Budget Rent A Car Bever	239.75	no receipts or business purpose
10/12/2001	Amtrak	(220.00)	no receipts or business purpose
10/12/2001	US Airways	(93.00)	no receipts or business purpose
10/12/2001	US Airways	(91.00)	no receipts or business purpose
10/12/2001	US Airways	(91.50)	no receipts or business purpose
11/12/2001	US Airways	43.50	no receipts or business purpose
3/12/2002	DC Coast Restaurant	150.61	no receipts or business purpose
3/12/2002	The Ritz Carlton F/B	28.00	no receipts or business purpose
3/12/2002	The Ritz Carlton F/B	333.87	no receipts or business purpose
4/12/2002	United Air	(150.00)	no receipts or business purpose
4/12/2002	Ten Penh Restaurant	174.82	no receipts or business purpose
5/12/2002	Delta Air	(196.00)	no receipts or business purpose
10/12/2002	US Airways	(120.00)	no receipts or business purpose
11/12/2002	Bistro Bis	128.52	no receipts or business purpose
11/12/2002	The Ritz Carlton F/B	220.45	no receipts or business purpose
11/12/2002	United Air	159.00	no receipts or business purpose
11/12/2002	Kinko's	7.00	no receipts or business purpose
12/12/2002	Washington Monarch	171.75	no receipts or business purpose

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
12/12/2002	Hyatt Hotels	216.41	no receipts or business purpose
12/12/2002	Latham Hotel	487.80	no receipts or business purpose
12/12/2002	Zola-Spy City	82.20	no receipts or business purpose
3/12/2003	ILO Restaurant	228.10	no receipts or business purpose
3/12/2003	The Ritz Carlton	343.50	no receipts or business purpose
3/12/2003	Delta Air	(44.00)	no receipts or business purpose
3/12/2003	Kinko's	1.71	no receipts or business purpose
4/12/2003	VZAIRF 016M	76.36	no receipts or business purpose
4/12/2003	VZAIRF 001M	8.98	no receipts or business purpose
4/12/2003	VZAIRF 001M	8.98	no receipts or business purpose
4/12/2003	VZAIRF 002M	13.47	no receipts or business purpose
4/12/2003	VZAIRF 006M	31.45	no receipts or business purpose
5/12/2003	The Ritz Carlton	171.75	no receipts or business purpose
6/12/2003	The Ritz Carlton	71.40	no receipts or business purpose
8/12/2003	Metro Wash Airport	30.00	no receipts or business purpose
8/12/2003	The Ritz Carlton	337.78	no receipts or business purpose
8/12/2003	US Airways	331.50	no receipts or business purpose
8/12/2003	Agent Fee	6.00	no receipts or business purpose
8/12/2003	Gordon Biersch Rest	29.04	no receipts or business purpose
9/12/2003	United Air	363.00	no receipts or business purpose
9/12/2003	VZAIRF 012M	58.50	no receipts or business purpose
9/12/2003	VZAIRF 001M	9.00	no receipts or business purpose
9/12/2003	VZAIRF 001M	9.00	no receipts or business purpose
9/12/2003	VZAIRF 001M	9.00	no receipts or business purpose
9/12/2003	VZAIRF 001M	9.00	no receipts or business purpose
9/12/2003	VZAIRF 003M	18.00	no receipts or business purpose
9/12/2003	VZAIRF 021M	99.00	no receipts or business purpose
10/12/2003	Anton's Airfoods	12.18	no receipts or business purpose
10/12/2003	Metro Wash Airport	30.00	no receipts or business purpose
10/12/2003	Seattle's Coffee C/O's	3.42	no receipts or business purpose
11/12/2003	Hyatt Hotel Gr Wash F&B	38.84	no receipts or business purpose
11/12/2003	Zaytinya	51.09	no receipts or business purpose
11/12/2003	Angelo & Macie	46.45	no receipts or business purpose
11/12/2003	Sushi Ko	29.65	no receipts or business purpose
12/12/2003	USPS	36.00	no receipts or business purpose
1/12/2004	ILO Restaurant	111.42	no receipts or business purpose
4/12/2004	Sushi Ko	153.15	no receipts or business purpose
4/12/2004	Southwest	176.70	no receipts or business purpose
6/12/2004	Greenworks by Shane FL	89.36	no receipts or business purpose
6/12/2004	Chiam	123.47	no receipts or business purpose
6/12/2004	Morrell Wine Bar & Café	80.43	no receipts or business purpose
7/12/2004	Sushi Ko	95.20	no receipts or business purpose
7/12/2004	United Air	317.60	no receipts or business purpose
8/12/2004	US Airways	(67.60)	no receipts or business purpose
10/12/2004	The Ritz Carlton	59.17	no receipts or business purpose
10/12/2004	The Ritz Carlton	6.23	no receipts or business purpose
11/12/2004	The Ritz Carlton	528.32	no receipts or business purpose
11/12/2004	The Ritz Carlton	182.97	no receipts or business purpose
11/12/2004	The Ritz Carlton	178.49	no receipts or business purpose

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
11/12/2004	The Ritz Carlton	16.10	no receipts or business purpose
11/12/2004	The River Inn	1,102.46	no receipts or business purpose
1/12/2005	Ginger Cove Ginger Reef	29.20	no receipts or business purpose
2/12/2005	Ambassador & Yellow	45.50	no receipts or business purpose
2/12/2005	US Airways	156.90	no receipts or business purpose
2/12/2005	Nosegay Flower Shop	77.20	no receipts or business purpose
10/12/2005	Delta Air	1,264.10	no receipts or business purpose
	Subtotal	$9,432.12	
11/12/2000	701 Penn Ave Rest Restaurant	$402.06	no receipts
11/12/2000	Delta Air	358.00	no receipts
11/12/2000	Marcel's	170.18	no receipts
11/12/2000	NOHO Star	23.95	no receipts
11/12/2000	Oyster Bar Restaurant	32.82	no receipts
11/12/2000	Phocus Wright, Inc.	2,295.00	no receipts
11/12/2000	Shutters on the Beach	31.25	no receipts
11/12/2000	The Mark	1,286.82	no receipts
11/12/2000	USAir	91.00	no receipts
11/12/2000	USAir	91.00	no receipts
11/12/2000	USAir	91.00	no receipts
11/12/2000	USAir	91.00	no receipts
11/12/2000	USAir	195.50	no receipts
12/12/2000	CLS Transportation	224.09	no receipts
12/12/2000	Ivy at the Shore	95.37	no receipts
12/12/2000	Marriott Hotels Dearborn	468.71	no receipts
12/12/2000	Michael's Restaurant	70.83	no receipts
12/12/2000	NWA Air	270.50	no receipts
12/12/2000	NWA Air	270.50	no receipts
12/12/2000	NWA Air	270.50	no receipts
12/12/2000	The Jefferson Hotel Food	46.05	no receipts
12/12/2000	USAir	91.00	no receipts
1/12/2001	AMTRACK	24.00	no receipts
1/12/2001	AMTRACK	220.00	no receipts
1/12/2001	AMTRACK	220.00	no receipts
1/12/2001	Peninsula Hotel	1,187.80	no receipts
1/12/2001	USAir	91.00	no receipts
2/12/2001	Bobby Van's Steakhouse	172.68	no receipts
2/12/2001	Galileo	500.50	no receipts
2/12/2001	Judson Grill	113.26	no receipts
2/12/2001	Kinko's Inc	40.56	no receipts
2/12/2001	Loew's Hotel/Regency Ho	2,259.13	no receipts
2/12/2001	Peninsula Hotel	1,320.19	no receipts
2/12/2001	The Benjamin	528.14	no receipts
2/12/2001	United Air	124.75	no receipts
2/12/2001	USAir	91.50	no receipts
2/12/2001	USAir	91.50	no receipts
3/12/2001	St. Regis Hotel	1,893.62	no receipts
3/12/2001	The Benjamin	321.10	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
3/12/2001	United Air	125.50	no receipts
3/12/2001	United Air	205.75	no receipts
3/12/2001	US Airways	91.50	no receipts
4/12/2001	Michael's Restaurant	152.49	no receipts
4/12/2001	Patria	174.14	no receipts
4/12/2001	The Occidental Grill	121.20	no receipts
4/12/2001	US Airways	91.50	no receipts
5/12/2001	Brasserie 8 ½	64.67	no receipts
5/12/2001	Metro Wash Airport	28.00	no receipts
5/12/2001	The Benjamin	449.15	no receipts
6/12/2001	Budget Rent A Car Bever	179.64	no receipts
6/12/2001	NWA Air	334.50	no receipts
6/12/2001	United Air	(2,352.00)	no receipts
6/12/2001	United Air	2,603.00	no receipts
7/12/2001	Budget Rent A Car Bever	335.31	no receipts
7/12/2001	Joseph's Café	29.85	no receipts
7/12/2001	Metro Wash Airport	28.00	no receipts
7/12/2001	NWA Air	(334.50)	no receipts
7/12/2001	Southwest Air	(35.75)	no receipts
7/12/2001	Southwest Air	(35.75)	no receipts
7/12/2001	St. Regis Hotel	85.28	no receipts
7/12/2001	The Benjamin	24.90	no receipts
7/12/2001	The Benjamin	427.55	no receipts
7/12/2001	US Airways	93.00	no receipts
7/12/2001	US Airways	93.00	no receipts
8/12/2001	Capital Grill	94.51	no receipts
8/12/2001	Capital Grill	768.06	no receipts
8/12/2001	Loews Miami Beach HO	219.38	no receipts
8/12/2001	Metro Wash Airport	14.00	no receipts
9/12/2001	Budget Rent A Car Bever	77.60	no receipts
9/12/2001	Hilton Hotels	198.67	no receipts
9/12/2001	Mgzine Publisher of Amer	1,435.00	no receipts
9/12/2001	US Airways	511.00	no receipts
10/12/2001	St. Regis Hotel	32.81	no receipts
10/12/2001	The Benjamin	330.97	no receipts
10/12/2001	The Benjamin	394.78	no receipts
10/12/2001	US Airways	93.00	no receipts
11/12/2001	The Benjamin	283.32	no receipts
12/12/2001	American Air	251.75	no receipts
12/12/2001	Loews Miami Beach HO	10.00	no receipts
12/12/2001	Loews Miami Beach HO	10.00	no receipts
12/12/2001	Loews Miami Beach HO	162.79	no receipts
12/12/2001	Monty Trainers	148.04	no receipts
2/12/2002	DC Coast Restaurant	135.21	no receipts
2/12/2002	Metro Wash Airport	28.00	no receipts
2/12/2002	The Benjamin	368.46	no receipts
2/12/2002	The Jefferson	13.92	no receipts
2/12/2002	The Jefferson	136.26	no receipts
2/12/2002	US Airways	87.50	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
2/12/2002	US Airways	92.50	no receipts
3/12/2002	US Airways	92.50	no receipts
4/12/2002	Amtrak	71.00	no receipts
4/12/2002	Amtrak	264.00	no receipts
4/12/2002	Budget Rent A Car Bever	389.70	no receipts
4/12/2002	Jean Georges	196.71	no receipts
4/12/2002	Metro Wash Airport	14.00	no receipts
4/12/2002	Metro Wash Airport	28.00	no receipts
4/12/2002	St. Regis Hotel	44.84	no receipts
4/12/2002	The Ritz Carlton F/B	65.00	no receipts
4/12/2002	United Air	(148.50)	no receipts
4/12/2002	US Airways	92.50	no receipts
4/12/2002	US Airways	92.50	no receipts
5/12/2002	Finemondo	16.20	no receipts
5/12/2002	NCTA	495.00	no receipts
5/12/2002	Olives -New York	17.07	no receipts
5/12/2002	The Benjamin	338.16	no receipts
5/12/2002	US Airways	92.50	no receipts
5/12/2002	US Airways	92.50	no receipts
6/12/2002	Delta Air	230.00	no receipts
6/12/2002	NWA Air	777.50	no receipts
6/12/2002	Renaissance Hotels	168.37	no receipts
6/12/2002	US Airways	(24.00)	no receipts
6/12/2002	US Airways	92.50	no receipts
6/12/2002	US Airways	150.50	no receipts
7/12/2002	Budget Rent A Car Bever	315.34	no receipts
7/12/2002	Chevron Station	26.64	no receipts
7/12/2002	Delta Air	363.50	no receipts
7/12/2002	Hotel New Otani	158.19	no receipts
7/12/2002	United Air	148.50	no receipts
8/12/2002	Amtrak	147.00	no receipts
8/12/2002	Central/Kinney	45.00	no receipts
8/12/2002	Delta Air	(320.00)	no receipts
8/12/2002	Delta Air	412.50	no receipts
8/12/2002	Metro Wash Airport	14.00	no receipts
8/12/2002	Metro Wash Airport	14.00	no receipts
8/12/2002	Metro Wash Airport	14.00	no receipts
8/12/2002	Metro Wash Airport	33.00	no receipts
8/12/2002	The Benjamin	509.75	no receipts
8/12/2002	US Airways	(45.50)	no receipts
8/12/2002	US Airways	92.50	no receipts
8/12/2002	US Airways	92.50	no receipts
8/12/2002	US Airways	150.50	no receipts
9/12/2002	Arizona Biltmore	268.96	no receipts
9/12/2002	Kinkead's	294.10	no receipts
9/12/2002	Mgzine Publisher of Amer	1,450.00	no receipts
9/12/2002	United Air	298.50	no receipts
10/12/2002	Agent Fee	6.00	no receipts
10/12/2002	Agent Fee	6.00	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
10/12/2002	Budget Rent A Car Bever	92.01	no receipts
10/12/2002	Continental	188.00	no receipts
10/12/2002	Delta Air	86.50	no receipts
10/12/2002	Delta Air	254.50	no receipts
10/12/2002	Delta Air	371.50	no receipts
10/12/2002	Hertz Rent-A-Car	202.96	no receipts
10/12/2002	Metro Wash Airport	19.00	no receipts
10/12/2002	Palm Too Restaurant	164.56	no receipts
10/12/2002	The Benjamin	298.45	no receipts
10/12/2002	United Air	147.50	no receipts
10/12/2002	United Air	184.00	no receipts
10/12/2002	US Airways	167.00	no receipts
10/12/2002	US Airways	688.50	no receipts
10/12/2002	VZAIRF 01M	8.98	no receipts
10/12/2002	VZAIRF 01M	26.96	no receipts
10/12/2002	VZAIRF 01M	71.87	no receipts
11/12/2002	Agent Fee	6.00	no receipts
11/12/2002	Agent Fee	6.00	no receipts
11/12/2002	Agent Fee	6.00	no receipts
11/12/2002	Agent Fee	6.00	no receipts
11/12/2002	Ark @ Dock East LLC	80.20	no receipts
11/12/2002	Biltmore Resort-Phoenix, AR	6.22	no receipts
11/12/2002	Biltmore Resort-Phoenix, AR	16.59	no receipts
11/12/2002	Biltmore Resort-Phoenix, AR	37.26	no receipts
11/12/2002	Biltmore Resort-Phoenix, AR	650.51	no receipts
11/12/2002	Chiam	65.05	no receipts
11/12/2002	Delta Air	86.50	no receipts
11/12/2002	Delta Air	86.50	no receipts
11/12/2002	Delta Air	209.00	no receipts
11/12/2002	Delta Air	209.00	no receipts
11/12/2002	Delta Air	448.00	no receipts
11/12/2002	Metro Wash Airport	14.00	no receipts
11/12/2002	Metro Wash Airport	14.00	no receipts
11/12/2002	Morton's of Chicago	144.75	no receipts
11/12/2002	United Air	307.00	no receipts
11/12/2002	VZAIRF 01M	13.47	no receipts
11/12/2002	VZAIRF 01M	148.24	no receipts
12/12/2002	Agent Fee	(6.00)	no receipts
12/12/2002	Agent Fee	6.00	no receipts
12/12/2002	Agent Fee	6.00	no receipts
12/12/2002	Agent Fee	6.00	no receipts
12/12/2002	Delta Air	42.50	no receipts
12/12/2002	Delta Air	44.00	no receipts
12/12/2002	Delta Air	86.50	no receipts
12/12/2002	Delta Air	381.50	no receipts
12/12/2002	Delta Air	529.00	no receipts
12/12/2002	Marriott	117.15	no receipts
12/12/2002	NWA Air	310.00	no receipts
12/12/2002	NWA Air	310.00	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
1/12/2003	Agent Fee	6.00	no receipts
1/12/2003	Metro Wash Airport	14.00	no receipts
1/12/2003	Metro Wash Airport	14.00	no receipts
1/12/2003	Nada Sushi	62.50	no receipts
1/12/2003	Papa Razzi	57.04	no receipts
1/12/2003	The Benjamin	360.20	no receipts
1/12/2003	US Airways	144.00	no receipts
2/12/2003	Agent Fee	(6.00)	no receipts
2/12/2003	Agent Fee	(6.00)	no receipts
2/12/2003	Agent Fee	6.00	no receipts
2/12/2003	Agent Fee	6.00	no receipts
2/12/2003	Agent Fee	6.00	no receipts
2/12/2003	Agent Fee	6.00	no receipts
2/12/2003	Agent Fee	6.00	no receipts
2/12/2003	American Air	5,296.90	no receipts
2/12/2003	Amtrak RSCC	264.00	no receipts
2/12/2003	Delta Air	86.50	no receipts
2/12/2003	Delta Air	417.00	no receipts
2/12/2003	Dulles International	45.00	no receipts
2/12/2003	Gastronomia Italiana	42.22	no receipts
2/12/2003	Grand Hotel National	167.85	no receipts
2/12/2003	Hotel Bauer	568.37	no receipts
2/12/2003	Restaurant Nippon	78.49	no receipts
2/12/2003	SBB Luzern Person Enver	38.38	no receipts
2/12/2003	SBB Luzern Person Enver	97.39	no receipts
2/12/2003	Swisscom Shop	217.01	no receipts
2/12/2003	United Air	400.00	no receipts
2/12/2003	Zola-Spy City	322.80	no receipts
3/12/2003	Agent Fee	6.00	no receipts
3/12/2003	Delta Air	86.50	no receipts
3/12/2003	Metro Wash Airport	25.00	no receipts
3/12/2003	Waldorf Astoria Hilton	331.79	no receipts
3/12/2003	Waldorf Oscar's Restaur	43.53	no receipts
4/12/2003	Agent Fee	6.00	no receipts
4/12/2003	Amtrak	141.00	no receipts
4/12/2003	Delta Air	42.50	no receipts
4/12/2003	Delta Air	598.00	no receipts
4/12/2003	St. Regis Hotel	108.93	no receipts
4/12/2003	Tuscan Square/Rest	72.03	no receipts
4/12/2003	Waldorf Astoria Hilton	356.10	no receipts
5/12/2003	Agent Fee	6.00	no receipts
5/12/2003	Agent Fee	6.00	no receipts
5/12/2003	American Air	154.50	no receipts
5/12/2003	Amtrak	208.00	no receipts
5/12/2003	Delta Air	86.50	no receipts
5/12/2003	Four Seasons Hotels	10.24	no receipts
5/12/2003	Four Seasons Hotels	626.17	no receipts
5/12/2003	Hertz Rent-A-Car	229.13	no receipts
5/12/2003	Shutters Lobby Lounge	65.21	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
5/12/2003	TVL Horizon	(6.00)	no receipts
5/12/2003	TVL Horizon	6.00	no receipts
5/12/2003	US Airways	476.50	no receipts
6/12/2003	Agent Fee	6.00	no receipts
6/12/2003	Agent Fee	6.00	no receipts
6/12/2003	Chiam	84.65	no receipts
6/12/2003	Delta Air	86.50	no receipts
6/12/2003	Delta Air	478.00	no receipts
6/12/2003	Metro Wash Airport	15.00	no receipts
6/12/2003	Metro Wash Airport	60.00	no receipts
6/12/2003	The Caucus Room	113.12	no receipts
6/12/2003	United Air	1,889.50	no receipts
6/12/2003	Waldorf Astoria Hilton	237.56	no receipts
7/12/2003	Agent Fee	6.00	no receipts
7/12/2003	Ark @ Dock East LLC	66.16	no receipts
7/12/2003	Delta Air	81.50	no receipts
7/12/2003	Delta Air	499.00	no receipts
7/12/2003	Metro Wash Airport	30.00	no receipts
7/12/2003	S I*SI Paid Parking	80.00	no receipts
7/12/2003	Smith & Wollensky	84.33	no receipts
7/12/2003	The Benjamin	807.01	no receipts
7/12/2003	Waldorf Astoria Hilton	409.27	no receipts
7/12/2003	Waldorf Sir Harrys	24.91	no receipts
7/12/2003	Waldorf Sir Harrys	45.29	no receipts
8/12/2003	Agent Fee	6.00	no receipts
8/12/2003	Bistrot Lepic	172.13	no receipts
8/12/2003	Canyonlands NHA-MIC	19.34	no receipts
8/12/2003	Capital Grille 14	2,427.12	no receipts
8/12/2003	CHIAM	72.55	no receipts
8/12/2003	Del Frisco's	62.14	no receipts
8/12/2003	Delta Air	81.50	no receipts
8/12/2003	Hotel Monaco, DC	227.85	no receipts
8/12/2003	Hotel Monaco, DC	227.85	no receipts
8/12/2003	Hotel Monaco, DC	227.85	no receipts
8/12/2003	Kinko's	12.58	no receipts
8/12/2003	Patria	33.50	no receipts
8/12/2003	Patria	114.68	no receipts
8/12/2003	Terrence Brennans Seaf	28.40	no receipts
8/12/2003	The Benjamin	365.84	no receipts
9/12/2003	Agent Fee	6.00	no receipts
9/12/2003	American Air	420.00	no receipts
9/12/2003	Delta Air	81.50	no receipts
9/12/2003	Enterprise Rent-A-Car	99.59	no receipts
9/12/2003	Mgzine Publisher of Amer	1,675.00	no receipts
9/12/2003	St. Regis Hotel	1,272.46	no receipts
9/12/2003	Zaytinya	63.85	no receipts
9/12/2003	Zola-Spy City	196.73	no receipts
10/12/2003	Café Joul	166.45	no receipts
10/12/2003	IRA@Natl Museum Nat Hst	57.26	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
10/12/2003	Metro Wash Airport	15.00	no receipts
10/12/2003	Natl Gallery Art Shop	30.90	no receipts
10/12/2003	The Prime Rib	117.02	no receipts
11/12/2003	Amtrak RSCC	217.00	no receipts
11/12/2003	Delta Air	136.50	no receipts
11/12/2003	Metro Wash Airport	15.00	no receipts
11/12/2003	US Airways	(136.50)	no receipts
12/12/2003	Delta Air	136.50	no receipts
12/12/2003	Metro Wash Airport	15.00	no receipts
1/12/2004	Delta Air	136.50	no receipts
1/12/2004	Hilton Hotels	46.71	no receipts
1/12/2004	Marriott 337X8 RIHGA NY	6.52	no receipts
1/12/2004	Marriott 337X8 RIHGA NY	721.65	no receipts
1/12/2004	Metro Wash Airport	30.00	no receipts
1/12/2004	Metro Wash Airport	30.00	no receipts
1/12/2004	Oyster Bar Restaurant	67.44	no receipts
1/12/2004	Shun Lee	124.61	no receipts
1/12/2004	Shun Lee Palace	61.10	no receipts
1/12/2004	St. Regis Lounge Rest.	87.15	no receipts
1/12/2004	The Benjamin	426.41	no receipts
1/12/2004	The Jefferson	34.60	no receipts
1/12/2004	US Airways	136.70	no receipts
1/12/2004	US Airways	286.70	no receipts
2/12/2004	Balthazar	99.65	no receipts
2/12/2004	Capital Grille 800	133.85	no receipts
2/12/2004	Delta Air	136.70	no receipts
2/12/2004	Intercontinental Hotel FB	62.53	no receipts
2/12/2004	Metro Wash Airport	15.00	no receipts
2/12/2004	US Airways	136.70	no receipts
4/12/2004	Amtrak RSCC	141.00	no receipts
4/12/2004	Elaine S	153.25	no receipts
4/12/2004	Luigino	61.87	no receipts
4/12/2004	Metro Wash Airport	30.00	no receipts
4/12/2004	Sam Flax	71.69	no receipts
4/12/2004	US Airways	67.60	no receipts
4/12/2004	Waldorf Astoria Hilton	14.93	no receipts
4/12/2004	Waldorf Astoria Hilton	318.09	no receipts
4/12/2004	Waldorf Astoria Hilton	719.58	no receipts
4/12/2004	WP-INETACCESSNNU.COM	5.00	no receipts
5/12/2004	Agent Fee	6.00	no receipts
5/12/2004	The Alex	301.54	no receipts
5/12/2004	US Airways	136.70	no receipts
6/12/2004	Agent Fee	30.00	no receipts
6/12/2004	Agent Fee	40.00	no receipts
6/12/2004	Delta Air	137.60	no receipts
6/12/2004	Metro Wash Airport	30.00	no receipts
6/12/2004	RA @ Tropica #21342	111.70	no receipts
6/12/2004	The Benjamin	411.36	no receipts
7/12/2004	Agent Fee	6.00	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
7/12/2004	Bistro 60	49.28	no receipts
7/12/2004	Delta Air	67.60	no receipts
7/12/2004	Kitano New York Hotel	284.75	no receipts
7/12/2004	Metro Wash Airport	15.00	no receipts
8/12/2004	Independence	129.10	no receipts
8/12/2004	Metro Wash Airport	15.00	no receipts
8/12/2004	Metro Wash Airport	15.00	no receipts
9/12/2004	Amtrak	147.00	no receipts
9/12/2004	Delta Air	67.60	no receipts
9/12/2004	Hyatt Hotels Gr Wash F&B	41.65	no receipts
9/12/2004	Metro Wash Airport	20.00	no receipts
9/12/2004	The Ritz Carlton	141.35	no receipts
9/12/2004	WMATA EXPRESS VEND	10.00	no receipts
10/12/2004	Agent Fee	6.00	no receipts
10/12/2004	Amtrak RSCC	141.00	no receipts
10/12/2004	Continental	496.20	no receipts
10/12/2004	Delta Air	67.60	no receipts
10/12/2004	Delta Air	69.10	no receipts
10/12/2004	Metro Wash Airport	15.00	no receipts
10/12/2004	Metro Wash Airport	15.00	no receipts
10/12/2004	Primola	95.85	no receipts
10/12/2004	The Benjamin	463.39	no receipts
10/12/2004	The Palm Restaurant	265.83	no receipts
10/12/2004	US Airways	69.10	no receipts
11/12/2004	Agent Fee	(6.00)	no receipts
11/12/2004	Agent Fee	6.00	no receipts
11/12/2004	Agent Fee	6.00	no receipts
11/12/2004	Agent Fee	6.00	no receipts
11/12/2004	Agent Fee	6.00	no receipts
11/12/2004	Delta Air	79.10	no receipts
11/12/2004	Deluxe Town Diner	20.96	no receipts
11/12/2004	Exxon Mobil	37.75	no receipts
11/12/2004	Kitano New York Hotel	731.24	no receipts
11/12/2004	Kitano New York Hotel	1,114.73	no receipts
11/12/2004	Mendy's Restaurant	23.54	no receipts
11/12/2004	Metro Wash Airport	30.00	no receipts
11/12/2004	Metro Wash Airport	30.00	no receipts
11/12/2004	Metro Wash Airport	45.00	no receipts
11/12/2004	OAG*OAG Worldwide Inc.	210.44	no receipts
11/12/2004	Spirit Air	341.70	no receipts
11/12/2004	United Air	5.00	no receipts
11/12/2004	US Airways	156.70	no receipts
11/12/2004	US Airways	156.70	no receipts
11/12/2004	US Airways	521.70	no receipts
11/12/2004	ZSO*ZAGAT Survey	19.95	no receipts
12/12/2004	Agent Fee	6.00	no receipts
12/12/2004	Smith & Wollensky	156.85	no receipts
1/12/2005	Amtrak Inter	157.00	no receipts
1/12/2005	Art Café	28.00	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
1/12/2005	Chin Chin Restaurant	100.25	no receipts
1/12/2005	Kitano New York Hotel	780.00	no receipts
1/12/2005	Metro Wash Airport	30.00	no receipts
1/12/2005	The Ritz Carlton	85.23	no receipts
2/12/2005	Agent Fee	(8.00)	no receipts
2/12/2005	Agent Fee	8.00	no receipts
2/12/2005	Amtrak	294.00	no receipts
2/12/2005	Aquavit	148.83	no receipts
2/12/2005	Delta Air	243.20	no receipts
2/12/2005	Delta Air	243.20	no receipts
2/12/2005	Kitano New York Hotel	8.70	no receipts
2/12/2005	Metro Wash Airport	25.00	no receipts
2/12/2005	Metro Wash Airport	30.00	no receipts
2/12/2005	Swissotel the Drake	331.24	no receipts
2/12/2005	US Airways	77.70	no receipts
3/12/2005	Agent Fee	8.00	no receipts
3/12/2005	Brittos Restaurant	21.51	no receipts
3/12/2005	Cheryl & Co-Catalog	70.15	no receipts
3/12/2005	Chiam	400.90	no receipts
3/12/2005	Fedex Shp 02/11/2005	38.44	no receipts
3/12/2005	Haru #153	91.85	no receipts
3/12/2005	Logiclink	15.19	no receipts
3/12/2005	Metro Wash Airport	30.00	no receipts
3/12/2005	Metro Wash Airport	60.00	no receipts
3/12/2005	Swissotel the Drake	552.06	no receipts
3/12/2005	US Airways	(79.20)	no receipts
3/12/2005	US Airways	(77.70)	no receipts
3/12/2005	US Airways	156.90	no receipts
3/12/2005	Zola-Spy City	185.38	no receipts
4/12/2005	Safety Express Courier	35.00	no receipts
5/12/2005	Agent Fee	8.00	no receipts
5/12/2005	Cheryl & Co-Catalog	42.20	no receipts
5/12/2005	Delta Air	87.70	no receipts
5/12/2005	Metro Wash Airport	30.00	no receipts
5/12/2005	Swissotel the Drake	535.23	no receipts
6/12/2005	Agent Fee	(8.00)	no receipts
6/12/2005	Agent Fee	8.00	no receipts
6/12/2005	Amtrak Inter	(246.00)	no receipts
6/12/2005	Amtrak Inter	246.00	no receipts
6/12/2005	Amtrak Inter	246.00	no receipts
6/12/2005	Delta Air	176.90	no receipts
6/12/2005	Jacob K Javits Conv Ctr	20.50	no receipts
6/12/2005	Mendocino Grill	135.20	no receipts
6/12/2005	Metro Wash Airport	15.00	no receipts
6/12/2005	Swissotel the Drake	497.89	no receipts
6/12/2005	The Ritz Carlton	106.00	no receipts
6/12/2005	Zola-Spy City	112.60	no receipts
6/12/2005	Zola-Spy City	211.65	no receipts
7/12/2005	Amtrak Inter	80.00	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
7/12/2005	Charlie Palmer Steak	91.63	no receipts
7/12/2005	Charlie Palmer Steak	142.15	no receipts
7/12/2005	Delta Air	85.70	no receipts
7/12/2005	Delta Air	87.20	no receipts
7/12/2005	Delta Air	172.90	no receipts
7/12/2005	Metro Wash Airport	15.00	no receipts
7/12/2005	Metro Wash Airport	32.00	no receipts
7/12/2005	US Airways	(77.70)	no receipts
7/12/2005	US Airways	77.70	no receipts
7/12/2005	US Airways	79.20	no receipts
8/12/2005	701 Restaurant	107.40	no receipts
8/12/2005	Amtrak	157.00	no receipts
8/12/2005	Amtrak Inter	157.00	no receipts
8/12/2005	Charlie Palmer Steak	154.25	no receipts
8/12/2005	Cheryl & Co-Catalog	90.15	no receipts
8/12/2005	Delta Air	(85.70)	no receipts
8/12/2005	Delta Air	85.70	no receipts
8/12/2005	Delta Air	172.90	no receipts
8/12/2005	Delta Air	172.90	no receipts
8/12/2005	Django	19.09	no receipts
8/12/2005	Metro Wash Airport	15.00	no receipts
8/12/2005	Metro Wash Airport	30.00	no receipts
8/12/2005	Metro Wash Airport	40.00	no receipts
8/12/2005	Metro Wash Airport	56.00	no receipts
8/12/2005	Park Avenue Café	86.92	no receipts
8/12/2005	Raku An Asian Diner	103.52	no receipts
8/12/2005	Regency	26.76	no receipts
8/12/2005	Sushi Ann	116.53	no receipts
8/12/2005	Swissotel the Drake	17.63	no receipts
8/12/2005	Swissotel the Drake	465.98	no receipts
8/12/2005	Swissotel the Drake	471.99	no receipts
8/12/2005	Swissotel the Drake	474.29	no receipts
8/12/2005	Swissotel the Drake	857.01	no receipts
8/12/2005	US Airways	5.00	no receipts
8/12/2005	US Airways	5.00	no receipts
8/12/2005	US Airways	77.70	no receipts
8/12/2005	US Airways	79.20	no receipts
8/12/2005	US Airways	156.90	no receipts
9/12/2005	Agent Fee	8.00	no receipts
9/12/2005	Delta Air	10.00	no receipts
9/12/2005	Swissotel the Drake	64.19	no receipts
9/12/2005	Swissotel the Drake	329.59	no receipts
9/12/2005	US Airways	202.70	no receipts
10/12/2005	Cheryl & Co-Catalog	67.90	no receipts
10/12/2005	Delta Air	15.00	no receipts
10/12/2005	Delta Air	85.70	no receipts
10/12/2005	Delta Air	172.90	no receipts
10/12/2005	Metro Wash Airport	15.00	no receipts
10/12/2005	Metro Wash Airport	15.00	no receipts

SCHEDULE B-1
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – CITIBANK

Reference	Vendor	Amount	Status of Support
10/12/2005	Ristorante Tosca	132.53	no receipts
10/12/2005	US Airways	79.20	no receipts
10/12/2005	US Airways	156.90	no receipts
10/12/2005	US Airways	277.70	no receipts
	Subtotal	$91,567.85	
	Total	$100,999.97	

SCHEDULE B-2
SCHEDULE OF UNSUPPORTED TRANSACTIONS - OTHER

Fiscal Year	Reference	Vendor	Amount	Status of Support
2001	PARTY ON 1	Guest Services Inc.	$234.85	no documentation provided
2002	081401	Elaine Gill	23.00	no documentation provided
2002	081401	Elaine Gill	37.89	no documentation provided
2002	120601	Elaine Gill	39.00	no documentation provided
2002	122001	Elaine Gill	10.13	no documentation provided
2002	122001	Elaine Gill	31.34	no documentation provided
2002	122001	Elaine Gill	52.55	no documentation provided
2002	SEPT. & OC	Gary M. Beer	52.00	no documentation provided
2002	SEPT. & OC	Gary M. Beer	74.99	no documentation provided
2002	21502	Elaine Gill	14.00	no documentation provided
2002	21502	Elaine Gill	24.00	no documentation provided
2002	04/30/2002	Elaine Gill	37.00	no documentation provided
2002	04/30/2002	Elaine Gill	22.00	no documentation provided
2002	MARCH 2002	Elaine Gill	8.50	no documentation provided
2002	MARCH 2002	Elaine Gill	1.09	no documentation provided
2002	07/26/2002	Elaine Gill	106.00	no documentation provided
2002	07/26/2002	Elaine Gill	30.00	no documentation provided
2002	07/26/2002	Elaine Gill	18.72	no documentation provided
2002	07/26/2002	Elaine Gill	71.95	no documentation provided
2002	AUGUST 200	Elaine Gill	24.00	no documentation provided
2002	AUGUST 200	Elaine Gill	49.50	no documentation provided
2003		Pd 4-9 OC SoFA reports	589.50	no documentation provided
2003		PD 3 SoFA entry	2,871.00	no documentation provided
2004	CB10	McDonald's & Misc. Deposit	(343.50)	no documentation provided
2004	TRAVEL-3/3	Gary M. Beer	216.30	no documentation provided
2004		PD 8 - 12 OC SoFA Reprts	973.10	no documentation provided
2005	EXPENSE 11	Restaurant Associates	81.80	no documentation provided
2005		PD 10 SoFA 87XXXX	126.00	no documentation provided
		Total	$5,476.71	

SCHEDULE B-3
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – OTHER

Fiscal Year	Reference	Vendor	Amount	Status of Support
2001	G BEER JUN	Zions Bank Bankcard	8,584.22	No receipts or business purpose
2001	72601	Zions Bank Bankcard	60.81	No receipts or business purpose
2002	22360104	Restaurant Associates	90.00	No receipts or business purpose
2002	22370146	Restaurant Associates	105.00	No receipts or business purpose
2002	012202	Zions Bank Bankcard	1,767.46	No receipts or business purpose
		Subtotal	$10,607.49	
2002	00199550	Guest Services Inc.	$234.70	No business purpose
2002	22370198	Restaurant Associates	224.25	No business purpose
2002	22370242	Restaurant Associates	147.65	No business purpose
2002	22370263	Restaurant Associates	120.65	No business purpose
2003	22360216	Restaurant Associates	183.00	No business purpose
2003	00281659	Guest Services Inc.	119.45	No business purpose
2003	22370330	Restaurant Associates	161.65	No business purpose
2003	00312575	Guest Services Inc.	183.84	No business purpose
		Subtotal	$1,375.19	
2001	G BEER NOV	Zions Bank Bankcard	$594.86	No receipts
2001	ZIONS BK G	Zions Bank Bankcard	1,481.63	No receipts
2001	ZIONS DEC.	Zions Bank Bankcard	2,306.39	No receipts
2001	G BEER MAR	Zions Bank Bankcard	724.94	no receipts
2001	72601	Zions Bank Bankcard	80.00	no receipts
2001	MAR.01 BEE	Doggett's Parking	160.00	no receipts
2002	92701	Zions Bank Bankcard	120.00	no receipts
2002	92701	Zions Bank Bankcard	184.13	no receipts
2002	092001	Zions Bank Bankcard	80.00	no receipts
2002	92701	Zions Bank Bankcard	413.62	no receipts
2002	011502	Zions Bank Bankcard	80.00	no receipts
2002	011502	Zions Bank Bankcard	1,286.77	no receipts
2002	011502	Zions Bank Bankcard	162.92	no receipts
2002	22302	Gary M. Beer	19.51	no receipts
2002	FEB. 02 ZI	Zions Bank Bankcard	152.28	no receipts
2002	APRIL 2002	Zions Bank Bankcard	80.00	no receipts
2002	MAY 2002	Gary M. Beer	144.36	no receipts
2002	06/28/2002	Zions Bank Bankcard	80.00	no receipts
2002	MAY 2002	Gary M. Beer	28.00	no receipts
2002	06/28/2002	Zions Bank Bankcard	183.59	no receipts
2002	07/26/2002	Zions Bank Bankcard	110.50	no receipts
2002	07/26/2002	Zions Bank Bankcard	497.39	no receipts
2002	07/26/2002	Zions Bank Bankcard	160.00	no receipts
2002	082902	Gary M. Beer	166.00	no receipts
2002	22360101	Restaurant Associates	322.50	no receipts

SCHEDULE B-3
SCHEDULE OF INADEQUATELY SUPPORTED TRANSACTIONS – OTHER

Fiscal Year	Reference	Vendor	Amount	Status of Support
2002	092001	Zions Bank Bankcard	60.00	no receipts
2002	1001	Doggett's Parking	160.00	no receipts
2002	110101	Doggett's Parking	160.00	no receipts
2002	110101	Doggett's Parking	160.00	no receipts
2002	110101	Doggett's Parking	160.00	no receipts
2002	110101	Doggett's Parking	160.00	no receipts
2002	110101	Doggett's Parking	160.00	no receipts
2002	110101	Doggett's Parking	160.00	no receipts
2002	110101	Doggett's Parking	170.00	no receipts
2002	110101	Doggett's Parking	170.00	no receipts
2002	110101	Doggett's Parking	170.00	no receipts
2004	04/01/2004	Gary M. Beer	175.06	no receipts
2004	CB10	Refund Doggett's Overpayment	(175.00)	no receipts
2005	100104	Doggett's Parking	175.00	no receipts
2005	100104	Doggett's Parking	175.00	no receipts
2005	100104	Doggett's Parking	175.00	no receipts
2005	100104	Doggett's Parking	175.00	no receipts
2005	100104	Doggett's Parking	175.00	no receipts
2005	100104	Doggett's Parking	350.00	no receipts
2005	RENT-PKING	Doggett's Parking	350.00	no receipts
2005	100104	Doggett's Parking	350.00	no receipts
2005	100104	Doggett's Parking	350.00	no receipts
2005	100104	Doggett's Parking	350.00	no receipts
		Subtotal	$13,759.39	
		Total	$25,742.07	

SCHEDULE B-4
SCHEDULE OF UNAUTHORIZED TRANSACTIONS

Fiscal Year	Vendor	Reference	Exception Amount	Notes
2001	Capital City Limousine	Y191	$417.55	A
2001	CRC Management, Inc.	0000134787	160.04	A
2001	Communicar, Inc.	922487	84.66	A
2001	London Town Cars, Inc	149344	97.50	A
2001	London Town Cars, Inc	150137	185.00	A
2001	London Town Cars, Inc	148562	95.50	A
2001	CRC Management, Inc.	0000135406	80.98	A
2001	Communicar, Inc.	927077	51.51	A
2001	Sunflower Limousine S	9078	96.80	A
2001	London Town Cars, Inc	152304	179.50	A
2001	Communicar, Inc.	917831	23.46	A
2001	Communicar, Inc.	948047	45.90	A
2002	Communicar, Inc.	917808	99.45	A
2002	Gary M. Beer	TRAVEL-03/	106.00	A
2002	Peniel Limousine	233	119.00	A
2004	Gary M. Beer	05052004	200.00	A
2002	Zions Bank Bankcard C	011502	315.00	A
2002	Zions Bank Bankcard C	6/28/2002	251.00	A
2002	Gary M. Beer	MAY 2002	251.00	A
2001	A Plus Limo	12/12/2000	75.00	A
2001	Abe's Sedan Service	3/12/2001	162.00	A
2001	Abe's Sedan Service	3/12/2001	180.00	A
2001	Golden Limo Service	8/12/2001	90.00	A
2001	Professional Services	8/12/2001	298.20	A
2001	Peniel Limousine	8/12/2001	106.00	A
2001	Rudy's Limousine Service	9/12/2001	138.80	A
2002	Peniel Limousine	11/12/2001	155.00	A
2002	Oz and Oz Town Car Cor	1/12/2002	160.00	A
2002	Peniel Limousine	2/12/2002	107.00	A
2002	Abe's Sedan Service	3/12/2002	45.00	A
2002	Peniel Limousine	3/12/2002	275.00	A
2002	Oz and Oz Town Car Cor	3/12/2002	106.00	A
2002	Marco Transportation	4/12/2002	100.00	A
2002	Abe's Sedan Service	4/12/2002	60.00	A
2002	Peniel Limousine	5/12/2002	117.00	A
2002	Abe's Sedan Service	5/12/2002	285.00	A
2002	Abe's Sedan Service	5/12/2002	60.00	A
2002	Peniel Limousine	5/12/2002	162.00	A
2002	Abe's Sedan Service	6/12/2002	60.00	A
2002	Peniel Limousine	6/12/2002	286.00	A
2002	Abe's Sedan Service	6/12/2002	135.00	A
2002	Abe's Sedan Service	7/12/2002	60.00	A
2002	Abe's Sedan Service	7/12/2002	110.00	A
2002	Abe's Sedan Service	8/12/2002	145.00	A

SCHEDULE B-4
SCHEDULE OF UNAUTHORIZED TRANSACTIONS

Fiscal Year	Vendor	Reference	Exception Amount	Notes
2002	Abe's Sedan Service	8/12/2002	100.00	A
2002	Spectacular Limo Link Inc.	8/12/2002	56.40	A
2002	City Limousine	8/12/2002	53.00	A
2002	City Limousine	8/12/2002	54.00	A
2002	Abe's Sedan Service	9/12/2002	60.00	A
2002	Abe's Sedan Service	10/12/2002	120.00	A
2002	City Limousine	10/12/2002	405.00	A
2002	Peniel Limousine	10/12/2002	276.00	A
2002	Abe's Sedan Service	10/12/2002	65.00	A
2002	Abe's Sedan Service	10/12/2002	60.00	A
2002	Abe's Sedan Service	10/12/2002	60.00	A
2003	Abe's Sedan Service	11/12/2002	90.00	A
2003	Peniel Limousine	11/12/2002	112.00	A
2003	Abe's Sedan Service	11/12/2002	60.00	A
2003	Abe's Sedan Service	11/12/2002	75.00	A
2003	City Limousine	11/12/2002	112.00	A
2003	Peniel Limousine	12/12/2002	167.00	A
2003	Abe's Sedan Service	12/12/2002	195.00	A
2003	Abe's Sedan Service	12/12/2002	0.45	A
2003	Abe's Sedan Service	12/12/2002	44.55	A
2003	Abe's Sedan Service	12/12/2002	65.00	A
2003	AMS IS Limousines	12/12/2002	141.50	A
2003	City Limousine	1/12/2003	50.00	A
2003	Peniel Limousine	1/12/2003	58.50	A
2003	City Limousine	1/12/2003	107.00	A
2003	Common Wealth Limo	1/12/2003	329.60	A
2003	Abe's Sedan Service	2/12/2003	65.00	A
2003	Rainbow Limo Services	2/12/2003	154.00	A
2003	Abe's Sedan Service	2/12/2003	420.00	A
2003	Abe's Sedan Service	3/12/2003	200.00	A
2003	Peniel Limousine	3/12/2003	107.00	A
2003	Abe's Sedan Service	4/12/2003	80.00	A
2003	Abe's Sedan Service	4/12/2003	65.00	A
2003	Peniel Limousine	4/12/2003	102.00	A
2003	Abe's Sedan Service	4/12/2003	65.00	A
2003	Abe's Sedan Service	4/12/2003	84.00	A
2003	Abe's Sedan Service	5/12/2003	65.00	A
2003	Abe's Sedan Service	5/12/2003	54.00	A
2003	Peniel Limousine	6/12/2003	187.00	A
2003	Abe's Sedan Service	6/12/2003	113.00	A
2003	Abe's Sedan Service	6/12/2003	140.00	A
2003	Rainbow Limo Services	6/12/2003	210.00	A
2003	Peniel Limousine	7/12/2003	155.00	A
2003	Abe's Sedan Service	7/12/2003	156.00	A

SCHEDULE B-4
SCHEDULE OF UNAUTHORIZED TRANSACTIONS

Fiscal Year	Vendor	Reference	Exception Amount	Notes
2003	Abe's Sedan Service	7/12/2003	65.00	A
2003	Peniel Limousine	7/12/2003	335.00	A
2003	Abe's Sedan Service	7/12/2003	65.00	A
2003	Abe's Sedan Service	8/12/2003	120.00	A
2003	Abe's Sedan Service	8/12/2003	930.00	A
2003	Commwealth Limo	8/12/2003	99.50	A
2003	Commwealth Limo	8/12/2003	96.50	A
2003	City Limousine	8/12/2003	155.00	A
2003	Peniel Limousine	9/12/2003	208.00	A
2003	Friends Line Limousine	10/12/2003	55.00	A
2003	Abe's Sedan Service	10/12/2003	240.00	A
2004	Peniel Limousine	11/12/2003	118.00	A
2004	Abe's Sedan Service	11/12/2003	110.00	A
2004	Abe's Sedan Service	11/12/2003	65.00	A
2004	Abe's Sedan Service	12/12/2003	540.00	A
2004	Peniel Limousine	12/12/2003	163.00	A
2004	Abe's Sedan Service	1/12/2004	684.00	A
2004	Peniel Limousine	1/12/2004	259.00	A
2004	Peniel Limousine	1/12/2004	223.00	A
2004	Abe's Sedan Service	3/12/2004	140.00	A
2004	Abe's Sedan Service	4/12/2004	140.00	A
2004	City Limousine	4/12/2004	150.00	A
2004	City Limousine	5/12/2004	168.00	A
2004	City Limousine	5/12/2004	200.00	A
2004	City Limousine	6/12/2004	198.00	A
2004	Abe's Sedan Service	6/12/2004	60.00	A
2004	Abe's Sedan Service	6/12/2004	96.00	A
2004	Abe's Sedan Service	6/12/2004	70.00	A
2004	Abe's Sedan Service	6/12/2004	324.00	A
2004	Abe's Sedan Service	6/12/2004	180.00	A
2004	Ontime Limo	7/12/2004	113.00	A
2004	Abe's Sedan Service	7/12/2004	240.00	A
2004	Abe's Sedan Service	8/12/2004	180.00	A
2004	City Limousine	8/12/2004	494.00	A
2004	City Limousine	9/12/2004	134.00	A
2004	City Limousine	9/12/2004	128.00	A
2004	City Limousine	9/12/2004	90.00	A
2004	OMS-Limo	10/12/2004	216.00	A
2004	Abe's Sedan Service	10/12/2004	238.00	A
2004	Abe's Sedan Service	10/12/2004	540.00	A
2004	Abe's Sedan Service	10/12/2004	180.00	A
2005	OMS-Limo	11/12/2004	58.00	A
2005	OMS-Limo	11/12/2004	160.00	A
2005	Abe's Sedan Service	12/12/2004	162.00	A

SCHEDULE B-4
SCHEDULE OF UNAUTHORIZED TRANSACTIONS

Fiscal Year	Vendor	Reference	Exception Amount	Notes
2005	Abe's Sedan Service	12/12/2004	54.00	A
2005	Abe's Sedan Service	1/12/2005	240.00	A
2005	Carey Intl Inc./Limos	1/12/2005	323.90	A
2005	City Limousine	1/12/2005	398.00	A
2005	Abe's Sedan Service	1/12/2005	106.00	A
2005	City Limousine	2/12/2005	480.00	A
2005	Abe's Sedan Service	2/12/2005	72.00	A
2005	City Limousine	2/12/2005	123.00	A
2005	OMS-Limo	2/12/2005	616.00	A
2005	City Limousine	2/12/2005	300.00	A
2005	Abe's Sedan Service	3/12/2005	324.00	A
2005	City Limousine	3/12/2005	353.00	A
2005	City Limousine	5/12/2005	920.00	A
2005	City Limousine	6/12/2005	249.00	A
2005	City Limousine	6/12/2005	305.00	A
2005	Abe's Sedan Service	7/12/2005	411.00	A
2005	City Limousine	7/12/2005	110.00	A
2005	Abe's Sedan Service	7/12/2005	426.00	A
2005	City Limousine	7/12/2005	532.50	A
2005	Friends Line Limousine	8/12/2005	489.00	A
2005	Friends Line Limousine	8/12/2005	532.50	A
2005	Abe's Sedan Service	8/12/2005	78.00	A
2005	Friends Line Limousine	8/12/2005	70.50	A
2005	Abe's Sedan Service	8/12/2005	216.00	A
2005	Abe's Sedan Service	9/12/2005	318.00	A
2005	Abe's Sedan Service	9/12/2005	190.00	A
2005	Abe's Sedan Service	9/12/2005	108.00	A
2005	Abe's Sedan Service	9/12/2005	270.00	A
2005	Abe's Sedan Service	10/12/2005	240.00	A
2001	Zion's Bank Bankcard	G BEER NOV	612.00	B
2002	St. Regis Hotel	4/12/2002	4.00	B
2002	St. Regis Hotel	7/12/2002	96.00	B
2001	Gary M. Beer	090601	20.00	C
2002	Gary M. Beer	011502	20.00	C
2001	Gary M. Beer	090601	28.00	D
2002	Gary M. Beer	TRAVEL-03/	575.50	D
2002	Gary M. Beer	TRAVEL-03/	1,015.27	D
2002	Gary M. Beer	TRAVEL-03/	464.36	D
2002	Gary M. Beer	TRAVEL-03/	273.79	D
2002	Zions Bank Bankcard	APRIL 2002	183.04	D
2004	Gary M. Beer	05052004	250.82	D
	Total		$33,265.03	

SCHEDULE B-4
SCHEDULE OF UNAUTHORIZED TRANSACTIONS

A. The CEO's expenses included car service during a number of trips. The Smithsonian travel policy states that travelers should select "[t]he mode of transportation that is most advantageous to SI when cost and other factors are considered...." and that "[t]ravel by common carrier is presumed to be the most advantageous in most circumstances." The travel policy further states that special conveyances such as drivers may be authorized, but SBV provided no documentation authorizing these expenditures. We classified car-service costs of $29,722 as unauthorized, including $24,448 charged to the CEO's Citibank credit card, and $817 paid by other means for which receipts were not provided and business purpose was not identified.

B. The CEO claimed actual lodging and meals for his travel. Smithsonian travel policies state that the Smithsonian follows the *Federal Travel Regulations* (FTR). Smithsonian travel policies do, however, make an exception to permit travelers to exceed FTR limits up to a maximum of 300 percent of those limits. Lodging for three of the CEO's trips exceeded this 300-percent exception of the FTR maximum, as follows:

Payment Date	Locality	Nights	FTR (Lodging)	300% FTR	Actual Room Rate	Exception Amount
10/12/00	Santa Monica, CA	4	$99	$297	$450	$612
05/07/02	Los Angeles, CA	2	$99	$297	$299	$4
07/26/02	Los Angeles, CA	3	$99	$297	$329	$96

C. The CEO was reimbursed $40 for two parking tickets. SI travel policy provides for reimbursing parking fees, but does not authorize reimbursement for parking tickets.

D. The Schedule of Expenditures included a number of duplicate transactions, i.e., amounts that were supported by the same documents. We did not have sufficient information to determine to what extent these amounts were mispostings or had actually been paid twice. We classified duplicate amounts totaling $2,791 as unauthorized.