



Smithsonian Institution
Office of the Inspector General

SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2012 to March 31, 2013



Cover image: Cheetahs playing at the Smithsonian National Zoological Park in Washington, D.C.
Image Credit: John McRay.

Contents

Message from the Inspector General	1
Background	
Smithsonian Institution Profile	2
Office of the Inspector General Profile.....	3
OIG Strategic Plan	3
Smithsonian's 2012 Top Management Challenges	4
Audits and Reviews	
Reports and Advisories	5
Annual Audit Plan	6
Status of Recommendations	8
Work in Progress	8
Investigations	
Types of Investigations and Activities	11
Summaries of Several Investigations	11
Other Investigative Activities	12
Other OIG Activities.....	13
Tables	
Table 1 – List of Issued Audits and Reviews.....	15
Table 2 – Audit Recommendation Activity.....	15
Table 3 – Reports with Recommendations that Funds Be Put to Better Use.....	16
Table 4 – Reports Issued with Questioned Costs	16
Table 5 – Recommendations for which Corrective Actions Not Yet Complete....	17
Table 6 – Summary of Complaint Activity.....	19
Table 7 – Summary of Investigative Activity	20

Message from the Inspector General

On behalf of the Smithsonian Office of the Inspector General (OIG), I am pleased to submit this report summarizing the work of our office for the semiannual period ending March 31, 2013.

During this semiannual period, we issued for the first time our Top Management Challenges for the Smithsonian. We also issued several reports, including an audit report on the need to strengthen policies and oversight of executive travel, and a management advisory recommending encryption of certain laptops.

On the investigative side, we continue to investigate criminal allegations of contractor fraud at Smithsonian's parking operation at the Steven F. Udvar-Hazy Center. OIG investigators initiated this investigation into the theft of parking fees by contractors, amounting to more \$1.3 million over a 3 year period. We are working jointly with the Federal Bureau of Investigation and the United States Attorney's Office for the Eastern District of Virginia.

During the semiannual period, one defendant from the parking matter was sentenced to 27 months imprisonment, and another defendant was sentenced to 20 months imprisonment. A third defendant, who was an on-site manager for the parking contractor, was arrested and charged with his role in the theft conspiracy. This former manager is in custody, has pled guilty to the theft conspiracy, and is awaiting sentencing later this summer.

We appreciate the cooperation of Smithsonian management and staff, as well as the ongoing interest of the congressional committees with which we work. We also thank the Board of Regents' Audit and Review Committee for its support of the OIG mission and commitment to improving the Smithsonian through effective oversight.



Scott S. Dahl
Inspector General

Background

Smithsonian Institution Profile

The Smithsonian Institution is a trust instrumentality of the United States created by Congress in 1846 to carry out the provisions of the will of James Smithson, an English scientist who left his estate to the United States to found "an establishment for the increase and diffusion of knowledge."

The Smithsonian is the largest museum and research complex in the world. It currently includes 19 museums and galleries, the National Zoological Park, 9 research centers, and numerous research programs. The Smithsonian is the steward of approximately 137 million objects and specimens, which form the basis of world-renowned research, exhibitions, and public programs in the arts, culture, history, and the sciences.

Federal appropriations provide the core support for the Smithsonian's science efforts, museum functions and infrastructure. That support is supplemented by trust resources, including private donations and grants.



View of the Smithsonian Castle. Image from the National Parks Service Historic American Buildings Survey. Image credit: Jack E. Boucher.

Office of the Inspector General Profile

The Inspector General Act of 1978, as amended in 1988, created the OIG as an independent entity within the Smithsonian. The OIG reports directly to the Smithsonian Board of Regents and to the Congress.

Office of Audits

The Office of Audits conducts audits and reviews the Smithsonian's programs and operations to improve efficiency and effectiveness. We are guided by an annual Audit Plan that identifies high-risk areas for review. The Office of Audits also monitors the external audit of the Smithsonian's financial statements and oversees the reviews of the Smithsonian's information security practices.

Office of Investigations

The Office of Investigations investigates allegations of waste, fraud, abuse, gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on the Smithsonian's programs and operations. It refers matters to the U.S. Department of Justice for prosecutive decision and action whenever the OIG has reasonable grounds to believe there has been a violation of federal criminal law. It also identifies fraud indicators and recommends measures to management to improve the Smithsonian's ability to protect itself against fraud and other wrongdoing.

Counsel

The Counsel to the Inspector General provides independent legal advice to the Inspector General and the audit and investigative staff.

Smithsonian OIG Strategic Plan FY 2013-2015

We developed a Strategic Plan for fiscal years 2013-2015. As called for in the Strategic Plan, we develop and track an Annual Action Plan that contains strategic deliverables, as well as specific measures and targets.

Smithsonian 2012 Top Management Challenges

<http://www.si.edu/Content/OIG/Misc/TMC2012.pdf>

During this semiannual period, on November 15, 2012, we issued our 2012 list of the top management challenges facing the Smithsonian Institution. This is the first time that we have issued such a report. The Reports Consolidation Act of 2000, which requires these reports, does not expressly apply to the Smithsonian. However, we have determined that the report provides valuable insight for us and our stakeholders.

In the report, we describe each challenge based on work that we have done over the last several years. We also provide a summary of management's actions to address each challenge and our assessment of these actions.

The Smithsonian's top management challenges are summarized below:

Construction Management

The Smithsonian needs to keep the National Museum of African American History and Culture, a \$500 million construction project, on time and within budget. In a series of audits, we found process inefficiencies that management has addressed or is in the process of addressing.

Collections Stewardship

We identified a pattern of collections care challenges that the Smithsonian must address on a pan-institutional level.

Financial Management

We identified financial management challenges involving financial statement discrepancies, weaknesses in unit-level financial controls and in the accuracy of the enterprise resource planning system, and ineffective oversight of the travel approval process.

Cash Handling Operations

Based on several investigations of cash operations, we found that the Smithsonian needs to significantly improve its management of cash handling.

Information Systems Security

Our reviews of information security reveal that the Smithsonian needs to continue its efforts to comply with government and industry standards for protecting information systems and establish an effective privacy program that will protect sensitive personally identifiable information.

We are encouraged by the continued efforts of management to make progress on these challenges and to improve the Smithsonian. We appreciate the emphasis that the Audit and Review Committee has placed on making these challenges a management priority.

Audits and Reviews

During this semiannual period, we issued several audit reports and a management advisory, a peer review of another OIG, and a quality assurance memo addressing the independent auditor's financial statements audits. We also worked with management to close 36 recommendations from previous and current audits, and we completed substantial work on ongoing audits.

Reports and Advisories

Review of Executive Travel

We conducted this audit as a follow-up to earlier OIG reviews that found weaknesses in the oversight of travel. We assessed whether (1) executive travelers complied with laws, regulations, and Smithsonian policies and procedures, including accompanying spousal travel; (2) travel management controls operated properly, including oversight by the Board of Regents and other authorities; and (3) travel was for authorized purposes and for reasonable amounts.

Overall, we determined that the senior executive trips reviewed were for authorized purposes and travel expenses were reasonable. We also did not find any travel abuse or material violations of Smithsonian policies for the trips reviewed. However, we identified internal control weaknesses in the Smithsonian's policies and procedures.

Specifically, we found that:

- Those approving or reviewing travel for senior executives are often organizationally removed from the travelers' units and do not have supervisory authority over travelers.
- The Smithsonian needs to develop and implement policies and procedures for earning and documenting compensatory time off for travel.

- Some of the trips sponsored by outside entities lacked proper documentation and were not included in the Smithsonian travel management system.
- Smithsonian staff used purchase orders to pay for travel expenses. However, travel expenses on purchase orders are not subject to review by an authorized travel approver.
- The Smithsonian needs to update and enforce the Overseas Tour Renewal Agreement Travel policy for permitting an employee and immediate family to return to their place of residence.

We made eight recommendations for the Smithsonian to strengthen and update policies and procedures related to the oversight and execution of travel. Management and the Board of Regents concurred with our findings and recommendations and have proposed corrective actions to address the recommendations.

Management Advisory Regarding Portable Computer Encryption

In our fiscal year 2010 Federal Information Security Management Act (FISMA) review of the Smithsonian's information security program (Smithsonian Institution Information Security Program, March 15, 2011, Report No. A-10-01), we found that the Smithsonian was not enforcing its policy requiring that all mobile devices that may be used to store sensitive information be encrypted. We recommended that the Smithsonian implement controls to ensure that policy is enforced.

Management informed us in September 2012 that it implemented the recommendation and requested that we close it. To determine if the actions management took were effective, we examined a sample of portable computers in units that routinely handle sensitive information. We found that most of the portable computers we tested were not encrypted. Therefore, we kept the recommendation open and made three more recommendations to assist management in implementing the original one. Management concurred with the additional recommendations and developed a plan to implement them.

OIG Oversight of the Financial Statements Audits

The OIG serves as the Contracting Officer's Technical Representative for the oversight of the Smithsonian's annual financial statements audits performed by an independent public accounting firm. The firm audited the Smithsonian's FY 2012 Federal Closing Package (federal appropriations reporting) and the entity-wide financial statements (combined federal and trust funds reporting).

The independent auditor reported no material weaknesses or significant deficiencies in its management letter. However, the auditor made five observations that management needs to address.

Annual Audit Plan

In an effort to better assess the Smithsonian's risk and prioritize our work, we conducted a formal risk assessment last summer that included an electronic questionnaire and interviews with key stakeholders. We issued the 2013 Audit Plan in October 2012. We are currently engaged in the risk assessment process to develop our Audit Plan for FY 2014.

In selecting topic areas for audits, we focus on areas that pose the greatest risks to the Smithsonian's operations, with the goal of advancing the strategic priority of enabling the Smithsonian's mission through organizational excellence. We believe the audits we select as a result of this risk assessment process will promote efficiency and reduce costs; improve accountability for funding decisions; support the growth of external financial resources; examine controls over Smithsonian operations; or serve programmatic priorities such as strengthening collections.

Our planned audits fall into two categories: mandatory and discretionary. We conduct or oversee three mandatory audits each year: the financial statements audits, the Federal Information Security Management Act audit, and an audit of the Board of Regents' travel expenses. We select the discretionary audits based on our risk assessment, our prior work, and after consulting with stakeholders in the Smithsonian and Congress.

Status of Recommendations

We worked with Smithsonian management to improve and solidify the process for managing and implementing OIG audit recommendations. Smithsonian management made progress in implementing the recommendations from audit reports we issued during this and prior semiannual reporting periods.

As a result, we closed 36 recommendations during the past 6 months. Implementation of these recommendations resulted in:

- Better stewardship of the collections at the National Museum of American History;
- Improved financial management at the Center for Folklife and Cultural Heritage;
- More effective management of the National Museum of African American History and Culture construction project; and
- Strengthened information security.

While management made progress in closing old recommendations, six recommendations are past due. We summarize the open recommendations from prior semiannual periods and the target implementation dates in Table 5.

Work in Progress

We have six audits and reviews in progress, as described below.

Selected Financial Operations of the Smithsonian Tropical Research Institute

The Smithsonian Tropical Research Institute (STRI) is the Smithsonian's only unit based outside of the United States. Its distance from the Smithsonian's other units and the unique demands of operating in another country result in management and oversight challenges unlike those of the other units within the Smithsonian. To help management address that challenge, we are engaged in an audit of selected high-risk areas of STRI's financial operations.

Construction Management for the National Museum of African American History and Culture – Funding and Budget Issues

The \$500 million National Museum of African American History and Culture building project is important to the Smithsonian and the public. This report is

the third in a series to help ensure the Smithsonian has sufficient controls in place to keep the project on time and within budget. Construction management is one of the top challenges facing the Smithsonian that we identified for 2012.

To expedite the construction project, the Smithsonian has begun construction in phases as the design for those portions is completed. There is a risk that as the construction of the museum progresses, the timing of donations and other funding may not align with construction expenses. A delay in the availability of funds could negatively affect the construction schedule, potentially resulting in increased costs and a delay in the opening of the museum beyond the scheduled date in November 2015.

Management of the Government Purchase Card Program

The Smithsonian uses purchase cards to reduce the administrative cost of small dollar purchases, incurring \$22.7 million in expenditures for 81,824 transactions during fiscal year 2012. The Smithsonian has a heightened interest in reducing the risk of fraud and misuse of funds in such vulnerable areas as cash processing and purchasing.

We are conducting an assessment of the management of the purchase card program and will use data analytics software to test purchase card transactions.

Management of the Smithsonian's Motor Vehicle Fleet Operations

In 2008, the Smithsonian implemented a fleet management system to reduce fleet costs, lower the fleet's environmental impact, increase utilization, and automate data.

In 2009, President Obama issued *Executive Order 13514 – Federal Leadership in Environmental, Energy, and Economic Performance*, which established goals and priorities towards sustainability in the federal government. The Office of Management and Budget monitors performance measures of sustainability and energy efficiency. One of these measures is fleet petroleum use.

We are assessing the effectiveness of the Smithsonian's fleet management, including provisions for authorizing, controlling, and monitoring vehicle purchase, use, maintenance and repair services, and disposal.

Collections Care Initiatives

As a result of prior audits of collections management at four museums, we identified a pattern of issues such as a lack of comprehensive preservation programs, inadequate inventory controls, inadequate security of collections areas, and inadequate storage conditions. To address institution-wide collections management issues, management developed strategic initiatives in areas such as space planning, collections conditions assessment, and digitization.

Our review will assess management's progress on the pan-institutional initiatives and help ensure that management identifies long-term solutions to address inventory control and preservation care.

Review of the Smithsonian's Information Security Program

FISMA directs the OIG to annually evaluate the information security program of the entity. The Smithsonian voluntarily complies with FISMA requirements because they are consistent with the organization's strategic goals. Information systems security is one of the Smithsonian's top management challenges.

As in previous years, we contracted with an independent auditor to conduct this review. For fiscal year 2012, the review focused on the general support system, the ERP system, several collections information systems, and a contractor-operated system. We provided a draft of the report to management in March 2013 and are awaiting a response.

Investigations

Types of Investigations and Activities

The types of allegations that the agents investigated during this semiannual period include the following: embezzlement, false representations, theft of property, improper reprisal, workers compensation fraud, misuse of government travel card, and time and attendance fraud.

For several of the investigations, the agents worked jointly with other federal law enforcement agencies, including the Federal Bureau of Investigations. OIG agents promulgated subpoenas for documents, prepared search warrant affidavits, and arrested suspects. They have provided investigative work products to federal prosecutors for criminal investigations. They also provided the results of investigations to management for administrative action to be taken. For several matters, disciplinary action against the employees has been initiated. During the reporting period, we received 35 complaints and closed 36 complaints.

Summaries of Several Investigations

The following are summaries of several investigations conducted during the period.

Theft of Funds

OIG and FBI agents arrested three employees of Parking Management Inc. (PMI) on August 4, 2012, on charges of stealing visitor parking fees collected at the Smithsonian Institution's Steven F. Udvar-Hazy Center in Chantilly, Virginia.

OIG agents determined that these PMI employees began stealing parking fees in April 2009, shortly after PMI took over management of the Udvar-Hazy Center's parking lot. On some days, each stole more than \$4,000 from the Smithsonian, for an estimated three-year loss to the Smithsonian of over \$1.3 million.

One defendant was sentenced to 20 months of imprisonment, 3 years of supervised release, and \$487,000 restitution. Another defendant was sentenced to 27 months of imprisonment, 3 years of supervised release, and \$895,680 restitution. The third defendant committed suicide.

On March 5, 2013, the former PMI on-site manager was arrested on charges of conspiracy to commit fraud, wire fraud, and theft of government money.

The former manager is currently in custody. He had a trial date of May 14, 2013, but on April 19, 2013, he pled guilty to a theft conspiracy. The investigation continues.

Misuse of Travel Card, Submission of False Documents

The Office of Contracting reported to OIG that a Smithsonian employee was repeatedly misusing a government-issued travel card. OIG agents confirmed that although the employee was paying for all of the charges, the employee was using the travel card for personal expenses in violation of Smithsonian policy. OIG agents determined that the employee also submitted forged documentation to management. The facts of this case were presented to the United States Attorney's Office for the District of Columbia, who declined to prosecute. The employee resigned after management proposed removal.

Theft of Funds

OIG agents determined that a supervisor in a Smithsonian store was stealing sales revenue. The employee processed fraudulent refunds of cash transactions and kept the money. The facts of this case were presented to the United States Attorney's Office for the District of Columbia, who declined to prosecute. Management subsequently terminated that individual's employment.

Other Investigative Activities

Fraud Awareness Program

We continue our efforts to reach out to Smithsonian staff and inform them about fraud awareness in Smithsonian programs and operations. During this reporting period, we made 12 fraud awareness presentations to 187 new employees during their orientations.

We released a new brochure with information about the investigative process and OIG jurisdiction. In addition, we prepared a presentation that we are giving to Smithsonian units to educate their staff on the role of the OIG and our investigative work. During the reporting period, we made this presentation to staff of the Office of Protection Services.

Involvement with Other Organizations

OIG agents remain actively involved with the Washington Metro Electronic Crimes Task Force, the Metropolitan Area Fraud Task Force, the Security Association of Financial Institutions workgroup, and the Interagency Fraud

Risk Data Mining Group which assists other OIGs and similar offices to identify systemic fraud and other risks through automated techniques.

Other OIG Activities

Congressional Liaison

We continue to meet with staff from various House and Senate committees that have jurisdiction over the Smithsonian to brief them on our work and to solicit suggestions for future audits and reviews.

We provided a response to the Bicameral Task Force on Climate Change on climate change initiatives at the Smithsonian. We also provided a response to Chairman Issa and Ranking Member Cummings on the five highest-priority short- and long-term recommendations to improve efficiency and reduce waste at the Smithsonian, as well as ways that Smithsonian management solicits input from OIG on how to improve efficiency and reduce waste.

Legislative and Regulatory Review

The Inspector General Act mandates that our office monitor and review legislative and regulatory proposals for their impact on the Smithsonian's programs and operations.

We reviewed draft Smithsonian directives that affect the Office of the Inspector General or the Smithsonian's programs and operations. We commented on draft Smithsonian Directive 217, *Workplace and Domestic Violence Policy*, and draft Smithsonian Directive 324, *Smithsonian Enterprises Retail Revenue Sharing*.

The Counsel to the Inspector General, working with counsel from other Inspector General offices across the federal government, also monitored congressional bills and issues relating to the Inspector General community.

Peer Reviews

Government Auditing Standards require audit organizations to undergo external peer reviews by independent reviewers every three years. Our most recent peer review, conducted by Federal Deposit Insurance Corporation Office of Inspector General and issued in September 2011, concluded that our quality control system was designed to meet government auditing standards, and complied with those standards, for the 15-month period ending March 31, 2011. We received a peer review rating of pass.

To assist other audit organizations in meeting their peer review requirements, we were called upon to review the system of audit quality control for the Corporation for National and Community Service's (CNCS) Office of Inspector General. In our opinion, the CNCS OIG quality control system in effect for the year ended September 30, 2012, was suitably designed and complied with to provide the CNCS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. We gave the CNCS OIG a peer review rating of pass.

Other Activities

OIG auditors and IT staff are actively involved in the TeamMate Federal Users Group. The office's working groups are driving a number of improvement initiatives, including updating and implementing the strategic plan, a comprehensive risk assessment process, and a streamlined audit process. OIG staff is also involved in the Institute of Internal Auditors, the Association of Certified Fraud Examiners, and other professional organizations.

Tables

Table 1: List of Issued Audits and Reviews

Report Number	Title	Date Issued
A-13-03	Peer Review of the Corporation for National and Community Service Office of the Inspector General	2/27/2013
M-13-01	Management Advisory Regarding Portable Computer Encryption	3/4/2013
A-12-05	The Smithsonian Institution Should Improve Travel Related Policies and Procedures	3/8/2013
A-12-07	Quality Assurance Letter for the Independent Auditor's Financial Statements Audits	3/29/2013

Table 2: Audit Recommendation Activity

Status of Recommendations	Numbers
Open at the beginning of the period	<u>65</u>
Issued during the period	11
Subtotal	<u>76</u>
Closed during the period	36
Open at the end of the period	<u>40</u>

Table 3: Reports Issued with Recommendations that Funds Be Put to Better Use

Reports	Number	Funds Put to Better Use
Reports for which no management decision has been made by the commencement of the reporting period	1	\$2,325,045
Reports issued during the reporting period	0	
<i>Subtotal</i>	1	\$2,325,045
Reports for which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management		\$0
• Dollar value of recommendations that were not agreed to by management		\$0
Reports for which no management decision has been made by the end of the reporting period	1	\$2,325,045
Reports for which no management decision was made within 6 months of issuance	1	\$2,325,045

Table 4: Reports Issued with Questioned Costs

Reports	Number	Questioned	Unsupported
Reports for which no management decision has been made by the commencement of the reporting period	0	\$0	\$0
Reports issued during the reporting period	0	\$0	\$0
<i>Subtotal</i>	0	\$0	\$0
Reports for which a management decision was made during the reporting period	0	\$0	\$0
• Dollar value of disallowed costs			
• Dollar value of costs not disallowed			
Reports for which no management decision has been made by the end of the reporting period	0	\$0	\$0
Reports for which no management decision was made within 6 months of issuance	0	\$0	\$0

Table 5: Prior Recommendations for which Corrective Actions Are Not Yet Complete

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Smithsonian Astrophysical Observatory Scientific Computing Infrastructure (9/30/2008)	1	The CIO should develop, document, and implement controls to ensure Smithsonian policy is updated timely to include new IT requirements and disseminated to system sponsors and contractors.	6/30/2013
Smithsonian Institution Privacy Program (5/29/2009)	7	The SAOP and the CIO should develop, document, and implement privacy policies and procedures to support an overall privacy program that adequately addresses privacy-related risks. The SAOP should develop, document, and implement policies and procedures for identifying, documenting, and safeguarding PII used by the Smithsonian; establish and implement requirements to reduce holdings of PII; develop and implement procedures to enforce compliance with all PII policies and procedures; develop, document, and implement procedures for privacy impact assessments (PIAs); and post completed PIAs on the Smithsonian's public website.	4/30/2013
Personal Property Accountability (11/18/2009)	1	The Under Secretaries should strengthen adherence to personal property management policies and procedures by conducting regular compliance reviews, including ensuring that individuals are being held accountable for missing property.	12/31/2012
Collections Stewardship of the National Collections at the National Museum of American History – Inventory Controls (2/8/2011)	3	The Director, NMAH, should conduct staffing assessments for OCA to identify deficiencies and develop a plan to address the deficiencies; ensure that the budget requests reflect the needs identified in the assessments; and, develop a succession plan to address potential staff turnover in OCA.	8/30/2013 to 10/31/2013
Smithsonian Institution Information Security Program (3/15/2011)	3	The Chief Information Officer should update SD 920 and other related documents to provide clear criteria for designating systems for inclusion in the Smithsonian's FISMA inventory; centrally document as part of its on-going risk management process the decisions by the Under Secretaries and the Unit managers to include or exclude systems in the FISMA inventory; and, implement controls to ensure that all SI-owned	3/15/2013 to 12/15/2013

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Smithsonian Institution Information Security Program (continued)		laptops/mobile devices that may be used to store sensitive information are secured with an appropriate encryption technology.	
Smithsonian Enterprises Financial Management (9/7/2011)	1	The President of Smithsonian Enterprises should ensure that the CFO and Director, Retail Division, in coordination with museum partners, collaborate on Retail's capital projects.	9/30/2013
Collections Stewardship of the National Collections at the National Museum of American History – Preservation and Physical Security (9/30/2011)	1	The Deputy Under Secretary for Collections and Interdisciplinary Support, in coordination with the Director, OFEO, should develop a prioritized plan for addressing collections storage needs Institution-wide that identifies possibilities for acquiring storage space.	6/30/2013
Smithsonian Institution Information Security Program (5/15/2012)	4	The Chief Information Officer should ensure that continuous monitoring of major systems is operating effectively; ensure that major system POCs provide quarterly POA&M progress updates and notify the CIO and Unit Directors when POA&M scheduled completion dates are not being met; improve the current server and standard desktop workstation procedures to identify any required operating system or application security patches; and, test and provide patch updates for the Smithsonian's standard desktop workstation software inventory within 30 days for vendor identified critical security patches and 60 days for vendor identified high risk security patches following the release of the patch.	2/15/2013 to 5/15/2013
Greater Efficiencies and Increased Oversight Needed for the NMAAHC Construction Management Process (9/28/2012)	1	The Directors of OCon&PPM, OFEO, and OEEMA should develop, document, and implement policies and procedures for awarding construction packages, to include requirements that: a. OCon&PPM and OEEMA receive the CMR contractor's price proposals from OFEO soon after OFEO receives them; b. OCon&PPM and OFEO jointly agree on the percentage of design and any other requirements necessary to authorize the CMR contractor to begin work. Then modify the A/E and CMR contracts to stipulate the agreed-upon requirements; c. OCon&PPM and OFEO adequately monitor the CMR contractor to determine whether the	11/30/2012

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
		contractor competed all contract allowances exceeding the competition threshold set forth in the CMR contract; and d. OFEO document the review of bids for self-performed work.	
The Center for Folklife and Cultural Heritage Needs to Improve Its Financial Management Operations (9/28/2012)	7	The Director of CFCH should: develop and implement policies and procedures for the selected application of the inventory method to include aging thresholds used to write-off inventory and ensure that staff receive proper training regarding the inventory method selected; review and research current inventory documentation to identify actual account balances, and if necessary rebuild the accounts to accurately reflect assets; review and research NetSuite accounts receivable to identify the actual account balances, and if necessary rebuild the accounts to accurately reflect assets; formalize and implement procedures to document incoming inventory and ensure that all products are entered in the POS system prior to sale; formalize and implement inventory close-out procedures for vendor accounts; develop and implement additional written policies and procedures for key financial activities; and, develop cross-training plans to address potential staff turnover and absence.	8/30/2013 to 9/30/2013

Table 6: Summary of Complaint Activity

Status	Number
Open at the start of the reporting period	50
Received during the reporting period	35
Subtotal	<u>85</u>
Closed during the reporting period	36
Total complaints pending	<u>49</u>

Table 7: Summary of Investigative Activity

Investigations	Amount or Number
Caseload	
Cases pending at beginning of reporting period	4
Cases opened during the reporting period	3
<i>Subtotal</i>	7
Cases closed during the reporting period	4
Cases carried forward	3
<hr/>	
Accepted for Prosecution	
Pending at the beginning of the period	1
Accepted during the period	0
Pending at the end of the period	1
<hr/>	
Successful Prosecutions	
Convictions	1
Fines	
Probation	
Confinement	37 months
Monetary Recoveries and Restitutions	\$1,300,000
<hr/>	
Administrative Actions	
Terminations	1
Resignations	1
Reprimands or admonishments	0



The National Museum of Natural History will permanently display the Dom Pedro Aquamarine, which is the largest single piece of cut-gem aquamarine in the world. Image credit: Donald E. Hurlbert, Smithsonian's National Museum of Natural History.

The Office of the Inspector General investigates allegations of waste, fraud, abuse, gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on the Institution's programs and operations.

Office of the Inspector General HOTLINE

202-252-0321
oighotline@oig.si.edu
<http://www.si.edu/oig>

or write to

Smithsonian Institution
Office of the Inspector General
PO Box 37012, MRC 524
Washington, DC 20013-7012

*IF REQUESTED, ANONYMITY IS ASSURED TO THE EXTENT PERMITTED
BY LAW. INFORMATION PROVIDED IS CONFIDENTIAL.*

Although you may remain anonymous, we encourage you to provide us with your contact information. The ability to gather additional information from you may be the key to effectively pursuing your allegation.