

# SEMIANNUAL REPORT TO THE CONGRESS

*April 1, 2005 to September 30, 2005*



Smithsonian Institution

Office of the Inspector General

The cover features an image of a panda that was born at the National Zoological Park on July 9, 2005. In accordance with Chinese tradition, the panda was given its name on the 100<sup>th</sup> day after its birth. The name Tai Shan, or Peaceful Mountain, was selected in a contest that received entries from around the world.

## A Message from the Inspector General

I am pleased to present this Semiannual Report to the Congress, which highlights the Office of the Inspector General's (OIG) audit and investigative accomplishments for the period ending September 30, 2005, and outlines some of the issues my office will focus on in the coming months.



During the period covered by this report, we issued five reports and identified \$1.3 million that could be put to better use. Our investigations led to one sentence of confinement, one guilty plea, several administrative actions, \$57,665 in recoveries and restitutions, and prevented \$107,129 in monetary losses. I would also like to acknowledge the considerable effort expended by Smithsonian managers to resolve the large number of open recommendations reported by this office in previous Semiannual Reports.

We achieved these results by working closely and constructively with Smithsonian staff, while maintaining the independence legally required of the OIG. We also engaged in considerable outreach efforts to strengthen the understanding of our mission, establish vital relationships within the Institution that will facilitate the OIG's involvement in emerging issues, and to advise Smithsonian staff of fraud indicators and how to report them.

In these fiscally constrained times, it is essential that the OIG be vigilant and focus on areas of greatest value to the Institution. To this end, we established audit priorities for fiscal year 2006 that address high-risk activities within the Institution that are vulnerable to fraud, waste, and abuse. Some of the areas that we will focus on in the coming months include:

- **Oversight of Capital Projects.** Over the next five years, the Institution will spend an estimated \$769 million to revitalize its aging facilities and construct new buildings. The OIG will continue to audit the Institution's oversight of these projects to ensure that cost, schedule, and funding risks are effectively mitigated and that hazardous facility conditions are appropriately addressed.
- **Revenue Collection.** To supplement its federal appropriations, the Smithsonian engages in a host of revenue-generating activities, including its museum retail shops and food concessions. Many of these activities are operated by contractors. The OIG will work with the Institution to ensure that revenues owed the Smithsonian are accurately reported and collected to enhance accountability over these funds.
- **Information Systems Security.** As the Institution increases its reliance on computerized information systems and electronic data to carry out its activities and to expand its outreach to the public, the security of these systems will become increasingly critical. The OIG will continue to audit the Institution's security practices to ensure the early detection of suspicious activity, protection of systems and applications from unauthorized access, and continuity of operations should disruptions occur.

- **Security of the National Collections.** Stewardship of the Smithsonian's vast collections is one of its most fundamental responsibilities. Among its collections are treasures of inestimable value to science, culture, and the American people. To ensure that the collections are properly safeguarded and accounted for, the OIG will examine the security measures and inventory controls for the Institution's most valuable items.

To better serve the Smithsonian, we have made major changes in our organization and operations. These changes include deploying the OIG staff in new ways to better leverage our resources, adding depth to our workforce by hiring staff with skills in a variety of disciplines, issuing management advisories to more expeditiously report issues requiring immediate attention, and mining the Institution's databases to better detect fraud and payment irregularities.

I am excited to be a part of the OIG's efforts to assist the Secretary and his management team in accomplishing the Institution's goals of enlarging the Smithsonian's audiences, strengthening its scientific research, modernizing management systems, and achieving greater financial strength. I wish to thank Secretary Small for his strong support of the OIG and his commitment to improving the Smithsonian Institution's operations. His efforts, and those of Deputy Secretary and Chief Operating Officer Sheila Burke, the Board of Regents, and managers at all levels of the Institution have contributed greatly to the results we are reporting. I also appreciate the interest and support of the congressional oversight committees with whom we work.



Debra S. Ritt  
Inspector General

October 30, 2005

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## 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 of America to found “an establishment for the increase and diffusion of knowledge...” Although a federal entity, the Smithsonian does not exercise governmental powers or executive authority, such as enforcing the laws of Congress or administering government programs. It functions essentially as a nonprofit institution dedicated to the advancement of learning.

Since its inception in 1846, the Smithsonian has expanded from the lone castle building to an extensive museum and research complex that today includes 18 museums and galleries, the National Zoological Park, and research centers around the nation’s capital, in eight states, and in the Republic of Panama. The Institution is the steward of nearly 136 million objects, which form the basis of world-renowned research, exhibitions, and public programs in the arts, history, and the sciences.

The Smithsonian Institution is further unique in that federal appropriations provide the core support for its science efforts, museum functions and infrastructure; and trust resources, including external grants and private donations, supplement that. This combination of support has allowed the Smithsonian to produce scientific research that is flexible, independent, and capable of exploring potentially high-risk areas of inquiry. Today the Smithsonian is the largest museum and research complex in the world.

## Strategic Direction

To support its overall mission to “increase and diffuse knowledge,” the Smithsonian has developed a five-year strategic plan for FY 2004-2008 that encompasses four broad strategic goals for enlarging its role in American society and succeeding as a complex enterprise in the 21<sup>st</sup> century:

- ***Increased Public Engagement*** - Enlarge the Smithsonian's audiences, expand its degree of engagement with the public in Washington and throughout the country, and improve the quality of the Smithsonian impact on its audiences, both through its public programs and science research.
- ***Strengthened Scientific Research*** - Pursue scientific advances and discovery by focusing resources in areas in which the Institution has recognized strengths due to staff, research platforms, and collections.
- ***Enhanced Management Excellence*** - Modernize Smithsonian management systems by bringing each of them to a level of quality and sophistication appropriate to an organization of the size and complexity of the Institution.
- ***Greater Financial Strength*** - Provide the financial support essential to achieving the Institution's goals.

# Office of the Inspector General

## Profile

The Inspector General Act of 1978, as amended, created the OIG as an independent entity within the Institution to detect and prevent waste, fraud, abuse and misconduct; to promote economy and efficiency; and to keep the Secretary and the Congress fully and currently informed of problems at the Institution. The OIG is a unit within the Smithsonian, but it operates independently from all other units and reports only to the Secretary and the Congress.

The OIG currently comprises 14 employees, including auditors, analysts, criminal investigators, legal counsel, and support staff.

## Audits Division

The Audits Division independently audits the Smithsonian's programs and operations, including financial systems, to assist management in promoting economy, efficiency, and effectiveness. The work of this division is guided by an annual Audit Plan that is developed from a risk assessment of Smithsonian operations and from input from Smithsonian executives. The Audit Plan identifies high-risk areas for review to provide assurance to the Secretary and to the Congress that the Institution's programs and operations are working efficiently and effectively.

The Audits Division currently includes the Assistant Inspector General for Audits, two audit managers, four auditors, and one analyst. Within the next six months, we expect to fill two vacancies. Beginning in fiscal year (FY) 2006, the Audits Division will also supervise the external audit of the Institution's financial statements and contract out the annual reviews of the Institution's information security practices.

## **Investigations Division**

The Investigations Division 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. It maintains liaisons with federal and state prosecutors and refers matters to the U.S. Department of Justice whenever the OIG has reasonable grounds to believe there has been a violation of federal criminal law. The Investigations Division also identifies fraud indicators and recommends measures to management to improve the Institution's ability to protect itself against fraud and other wrongdoing.

The Assistant Inspector General for Investigations, who is also Counsel to the Inspector General, and two Senior Special Agents make up the Investigations Division.

## **Counsel**

The Counsel to the Inspector General provides independent legal advice to the Inspector General and the audit and investigative staff on legal issues relating to the OIG's review of Smithsonian programs and operations. As Assistant Inspector General for Investigations, the Counsel advises staff on criminal law and procedure, evidence, and constitutional law as they relate to the OIG's investigative program. In addition, the Counsel reviews existing and proposed legislation concerning the Smithsonian, as well as Smithsonian policies and directives, and makes recommendations, as appropriate, concerning their impact on the Institution's operations and fraud prevention.

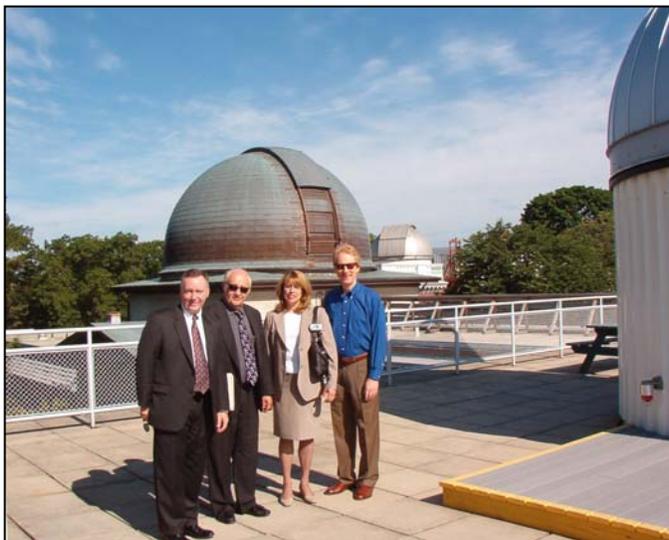
## Outlook for the OIG

We continue to pursue several initiatives that will enhance the OIG's contribution to the Smithsonian Institution. These efforts will improve communication and cooperation between Institution components and the OIG, increase the OIG's efficiency, and expand our reach and impact in combating fraud, waste, and abuse.

### Outreach

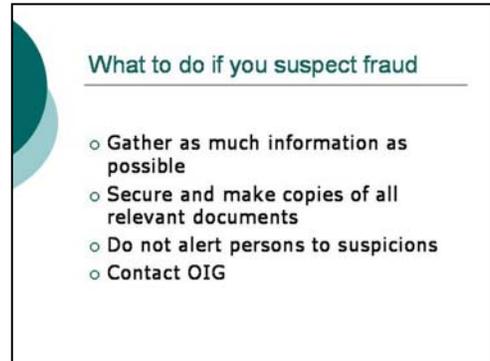
During this semiannual period, OIG staff met with the heads of over 40 Smithsonian units to establish vital relationships, discuss the role of the OIG, and identify current and emerging issues facing the Institution. We also visited the Smithsonian Astrophysical Observatory in Cambridge, Massachusetts and various Smithsonian operations in New York, including the Cooper-Hewitt Museum, the Archives of American Art, the National Museum of the American Indian – Heye Center, and the magazine operations of Smithsonian Business Ventures.

In addition, OIG staff met with Office of Management and Budget officials and congressional oversight committee staff members to discuss the OIG's ongoing and planned activities.



OIG Staff at the Smithsonian Astrophysical Observatory

To reinforce that suspected fraud should be reported to the OIG, we delivered a series of fraud presentations to the Institution’s registrars and financial staff. These presentations increased staff awareness about various fraud schemes and indicators.



**What to do if you suspect fraud**

- Gather as much information as possible
- Secure and make copies of all relevant documents
- Do not alert persons to suspicions
- Contact OIG

In the coming months, the OIG will meet with the remainder of the Smithsonian’s unit heads and conduct process reviews to determine future areas of emphasis for the OIG. We will also continue to deliver fraud presentations to Institution staff in key oversight positions and to work with the Smithsonian’s Government Relations staff to monitor proposed legislation and regulations relating to programs and operations of the Smithsonian.

## Data Mining

To integrate data mining — the use of statistical techniques for analyzing large volumes of data quickly — into our audits and investigations, we purchased data mining tools, trained OIG staff on data mining techniques, and pursued access to the Institution’s financial, contracting, and personnel systems. This data mining initiative will improve the OIG’s ability to analyze financial and performance data, evaluate purchase and credit card programs, and more expeditiously detect financial fraud and abuse.

## Oversight of Financial Statement Auditors

Beginning with the FY 2006 audit, the OIG will assume responsibility for the oversight of the annual financial statement audit, which is currently conducted by KPMG under the supervision of the Institution's Comptroller. Because of our organizational independence, OIG oversight of this audit engagement will provide assurances that the external auditor's report and conclusions are reasonable. We will continue to rely on external auditors for the audited financial statements, but will review the audit documentation, evaluate key judgments, and perform supplemental tests to express concurrence with the external auditor's opinion.



## IT Investment Planning and Control

The diversified functions and workload of the Institution require a significant investment in IT resources. To properly oversee these investments, the Office of the Chief Information Officer has established three investment oversight and planning boards. The OIG will attend the meetings of these boards to determine whether the oversight framework is working as intended and to identify any improvements needed in the planning and management of IT resources.

## FY 2006 Audit Plan

We published our FY 2006 annual audit plan, which is available on our website, <http://www.smithsonian.org/oig>. The plan is based on nine high-risk areas we identified through a risk assessment of Smithsonian programs and management functions:

- Modernizing financial management and accounting operations;
- Budget and performance integration;
- Managing real property;
- Modernizing and protecting the IT infrastructure;
- Workforce planning;
- Profitability of revenue operations and revenue collection;

- Contract administration;
- Security and care of the national collections; and
- Safety and environmental management.

In addition to being risk-based, the plan addresses high-interest activities, large dollar outlays, prominent areas of the Institution's strategic plan, and performance and accountability challenges. The plan also considers the effectiveness of planned and ongoing corrective measures implemented by Smithsonian staff.

In addition to our ongoing audits and planned oversight of the FY 2006 audited financial statements we will initiate audits in FY 2006 that will examine:

- Oversight of capital projects;
- The Institution's progress in addressing facility safety issues;
- Recordkeeping and preventative care at the National Zoo;
- Oversight of revenues reported by Smithsonian Business Ventures;
- Management of National Collections storage needs;
- Oversight of exhibition projects;
- Revenue operations of Friends of the National Zoo;
- Information technology security;
- Accuracy of accounts payable transactions; and
- Material differences in intragovernmental activity balances reported in the financial statements.

## The Audit Program

During the semiannual period, we issued five reports addressing the security and reliability of information technology resources, financial management practices for eliminating unneeded obligations as well as performing bank reconciliations, and management of changes to major facilities design and construction contracts. These efforts led to management actions to prevent or mitigate future service disruptions and data losses on legacy computer servers, strengthen information technology security, improve financial management practices, and enhance oversight of contract changes. Implementing the recommendations resulted in over \$1.3 million in funds put to better use.

### Summary of Audit Activity

#### **Web4 Server Failure (M-05-01)**

In February 2005 a Smithsonian computer server failed, resulting in over 30 Institution websites going off-line for a period of 2 to 6 days. The server was a legacy server that hosted Smithsonian Institution public websites as well as intranet websites and applications used by the National Museum of Natural History, the Archives of American Art, the National Museum of the American Indian, and many others. We conducted a review to determine the causes of the server failure and its impact on the Smithsonian community.

We found the server crashed when two of its hard drives failed in succession. While the exact cause of the crash could not be determined, the age of the system and its heavy use may have been contributing factors. As a consequence, a mission-critical database and application used by a research training program that had not been backed up were irretrievably lost, resulting in the cancellation of its 2005 program. We noted that the server was 8 months beyond its 3-year warranty period, and that a substantial number of legacy servers were operating on expired warranties and were likely to face the same vulnerabilities. We also found that

many of the planned measures to prevent or mitigate future service disruptions and data losses on legacy servers had not been implemented as promised because of resource constraints.

We recommended that the Chief Information Officer develop a plan to ensure that server backups are performed timely; inform customers on how further website expansions on the legacy servers will affect scheduled backups; clarify whether servers will be reconfigured and how restoration tests for customer applications and systems will be completed given the stated resource constraints; and provide a revised timeframe for recovery plan testing. The Chief Information Officer concurred with our recommendations and subsequently implemented corrective actions to prevent or otherwise mitigate future service disruptions and data losses on legacy servers.

### **National Zoological Park Information System Controls (A-05-03)**

During 2004, some of the Smithsonian's National Zoological Park servers and workstations were compromised from outside the Smithsonian network, which prompted us to conduct an audit to evaluate controls in place for Zoo system access, network security, and operating system configurations. We found that Zoo servers were vulnerable to unauthorized access and identified specific security weaknesses that needed to be eliminated. About 40 percent of the security weaknesses required immediate remediation. Controls over system access, network mapping, network security, operating system configurations and disaster recovery needed to be strengthened.



An orangutan at the National Zoological Park  
Image by Jessie Cohen, SNZP photographer

We recommended that management develop a plan for eliminating network vulnerabilities; close open ports and available services that allow unauthorized remote access; post warning banners on systems that have remote access capabilities; develop a plan for the completion of the migration to Active Directory; and evaluate compliance with security configuration standards after the system migration is completed. We also recommended periodic reviews of servers and workstations be performed to ensure that all patches and updates are installed as appropriate, and that management prepare a disaster recovery plan.

Management concurred with our recommendations and indicated that as part of the migration to Active Directory, the Zoo information technology staff corrected over 90 percent of the technical deficiencies noted in our report. Zoo staff also completed a project plan for the conversion to Active Directory, including a post-implementation vulnerability assessment that will ensure compliance with applicable security configuration standards.

### **Unliquidated Obligations (M-05-02)**

The ability of the Institution to ensure that obligated amounts continue to represent valid liabilities is a critical measure of the effectiveness of its financial management practices. In today's restrictive budget environment, when unneeded obligations for contracts are identified, the funds should be deobligated, and where possible, reapplied to other projects. We reviewed the Smithsonian's unliquidated obligations associated with no-year federal capital funds to determine whether they represented valid financial liabilities or whether the funds could be put to better use.

We found that unneeded obligated funds were allowed to sit idle for 3 to 4 years, on average. Management did not regularly review unliquidated balances to determine whether unexpended balances exceeded estimated needs, or communicate to contracting officials and the Chief Financial Officer when funds

could be deobligated. As of June 2005, 82 facilities contracts had remaining balances totaling \$1.9 million and no voucher activity in the last 18 months. We identified \$891,000 from 14 of the 16 facilities contracts sampled that no longer represented legitimate financial liabilities. In addition, we identified three contracts outside our sample that were designated by management for close-out but had about \$300,000 in unexpended balances, bringing the total that could be deobligated to \$1.2 million.

Our report included eight recommendations to strengthen management of unliquidated obligations, including the need to review and close out the remaining contracts with idle funds as well as implement process improvements to ensure unliquidated balances are regularly reviewed and annually certified as valid. Officials closed 14 of the 17 contracts we identified and deobligated nearly \$1.2 million. The review and close-out of the remaining 66 contracts with longstanding unliquidated obligations has been targeted for February 2006.

### **Bank Reconciliations (A-05-04)**

In an effort to strengthen the Institution's cash management practices, we reviewed the Institution's bank reconciliation process to determine whether the Institution was resolving reconciling items timely and whether internal controls over bank reconciliations were effective. The audit also followed up on recommendations made by the external auditors of the Smithsonian's FY 2004 financial statements, who had reported that the bank reconciliation area needed attention. Because the Institution is pursuing a new banking arrangement, we also reviewed the Smithsonian's banking plans to determine how they would affect the bank reconciliation process and to assess whether additional process changes were needed to facilitate the transition.

The audit concluded that management had made significant progress in performing monthly bank reconciliations and reducing the backlog of reconciling items. Between September 30, 2004, and March 31, 2005, management resolved

\$7.2 million of reconciling items over 90 days old. Despite these efforts, the Institution had more than 700 items valued at about \$7 million that were unresolved for over 30 days. Because funds were not recorded timely, one museum was unable to spend about \$130,000 for over 2 years. After raising this issue with management, these funds were put to better use. We also identified over \$328,000 that had accumulated over a 7-month period in one of the Institution's smaller bank accounts before it was invested.

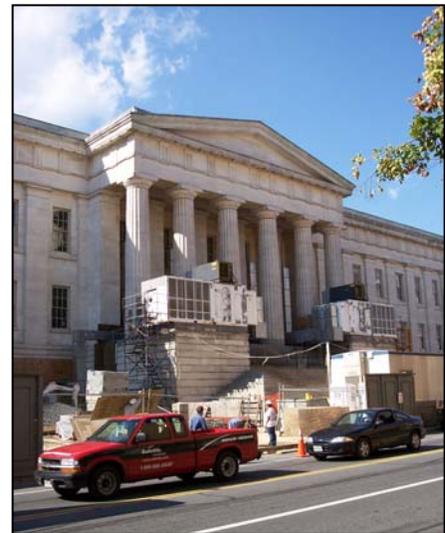
Management lacked a standardized process and reports for resolving items and tracking their resolution. In addition, staff shortages, including a vacancy in the cash management officer position and a lack of trained analysts resulted in large numbers of data entry errors and the late recording of health benefits transactions. Efforts to consolidate bank accounts and automate data entry of deposits should significantly reduce data entry errors and the volume of reconciling items. However, because the new banking relationship may not be fully implemented for up to 2 years, management will need to take steps in the interim to minimize both data entry errors and reconciling items.

We made seven recommendations to reduce data entry errors and delays in recording transactions, improve procedures for resolving reconciling items, and enhance oversight of the bank reconciliation process. Management officials concurred with our recommendations. A new cash management officer was hired in September and additional analysts will be recruited in FY 2006. Additionally, the Comptroller's office will implement a formal process to ensure deposit and disbursement entries are properly reviewed, revenues are accurately recorded under the new banking arrangement, and that reconciling items are tracked and units are informed of their status.

## Administration of Changes to Major Facilities Design and Construction Contracts (A-05-01)

Because contract changes can significantly increase project costs, we reviewed 5 of 13 major revitalization and construction projects to determine whether the Institution had effective measures in place to control such changes. We examined whether the Contracting Officer's Technical Representatives exceeded their delegated authority when executing contract changes and whether they obtained independent cost estimates as a basis for evaluating the costs of proposed changes.

We found that Contracting Officer's Technical Representatives made \$2.4 million in contract changes that were in excess of their delegated authority and without prior written approval from appropriate contracting officials. While management officials indicated that project changes were discussed and sometimes made at the direction of senior managers during monthly executive meetings, such discussions do not substitute for technical reviews by experienced contracting officers.



Patent Office Building renovation

We also noted that independent cost estimates were generally available to evaluate contract change proposals. About \$1.1 million of the \$14.2 million in changes sampled were executed without obtaining the required independent cost estimates. We recommended that management strengthen controls over contract changes to ensure appropriate written approvals are obtained before authorizing contractors to proceed with additional work, and assign a contracting officer to work on-site for large-scale projects. Management officials agreed with our recommendations and provided acceptable implementation plans.

**Table 1: List of Issued Audit Reports and Management Advisories**

Report Number	Title	Date Issued
M-05-01	Management Advisory: Web4 Server Failure	6/8/2005
A-05-03	National Zoological Park Information System Controls	7/27/2005
M-05-02	Management Advisory: Unliquidated Obligations	9/15/2005
A-05-04	Bank Reconciliations	9/28/2005
A-05-01	Administration of Changes to Major Facilities Design and Construction Contracts	9/29/2005

**Table 2: Audit Reports 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	2	\$228,242
Reports issued during the reporting period	2	\$1,320,298
<i>Subtotal</i>	4	\$1,548,540
Reports for which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management	4	\$1,451,899
• Dollar value of recommendations that were not agreed to by management	2	\$96,641
Reports for which no management decision has been made by the end of the reporting period	0	\$0
Reports for which no management decision was made within 6 months of issuance	0	\$0

## Work in Progress

### Information Security Evaluation

We have engaged an outside consultant to perform an independent evaluation of the Institution's information security program and compliance with the Federal Information Security Management Act (FISMA). The evaluation will address the Institution's information system inventory; certification and accreditation

processes; security configuration policies and procedures; plans of action and milestones; computer security incident handling; and computer security awareness training.

In accordance with Office of Management and Budget reporting guidelines for FY 2005, we forwarded our completed Inspector General FISMA template to the Secretary for inclusion in the Institution's reporting package in early October. We plan to issue a separate report detailing the findings supporting the independent evaluation.

### **Screening Measures and Access Controls for Employees and Contractors**

As a consequence of our investigative activities, we initiated an audit to determine how effectively the Institution uses information obtained from background checks to evaluate employee and contractor suitability.

The audit will assess whether the Institution employs adequate screening measures for investigating prospective employees and contractors before extending an offer of employment or awarding contracts. We will also evaluate the Institution's process for controlling staff and contractor access to non-public areas of the Institution.

### **Physical Security and Inventory Control Measures to Safeguard the National Collections**

Over the years the Smithsonian's collections have grown to about 136 million museum objects, 164 million archived items, 7 million feet of film, and 1.5 million library volumes. The majority of these items are stored in more than 50 geographically dispersed buildings. The audit will determine if physical security is adequate to safeguard the collections, and whether collection inventory controls are effective in ensuring the collections are properly accounted for. The

audit will focus on the National Museum of Natural History, which houses over 90 percent of the Smithsonian’s collections.

## Status of Open Recommendations

Smithsonian managers made a significant effort during the last 6 months to implement many of the recommendations contained in audit reports issued during prior semiannual reporting periods. As a result, we closed 26 of the 48 recommendations that were reported as open at the beginning of the reporting period.

**Table 3: Audit Recommendation Activity**

Status of Recommendations	Numbers
Open at the beginning of the period	48
Issued during the period	30
Subtotal	78
Closed during the period	31
Open at the end of the period	47

While considerable progress was made in closing old recommendations, 22 that were made in prior semiannual periods remained open at the end of this reporting period. Of the 22 recommendations, 3 are over 2 years old and 2 are over 3 years old. Open recommendations from prior semiannual periods and their target implementation dates are summarized below.

**Table 4: Prior Recommendations for which Corrective Actions Are Not Yet Complete**

Audit Title and Date	Number of Recs	Summary of Recommendations	Target Date
American Indian Museum Move Project (October 2, 2001)	1	The Director should strengthen physical security.	8/30/2005
Independent Evaluation of the Smithsonian’s Information Security Program (July 31, 2002)	1	The Chief Information Officer should coordinate with units and consolidate network resources where suitable.	None

Audit Title and Date	Number of Recs	Summary of Recommendations	Target Date
National Museum of the American Indian Information Systems (January 17, 2003)	1	The Director should replace the Registrar's Office Windows NT network.	3/31/2006
Project Management of the Steven F. Udvar-Hazy Center (July 31, 2003)	1	The Chief Financial Officer should complete the process of developing and implementing user requirements to monitor large projects using the ERP system.	3/31/2004
Information System Controls at the National Air and Space Museum (September 3, 2003)	1	The Director of the National Air and Space Museum should relocate the museum's Internet website.	None
Restricted Gifts (December 18, 2003)	2	The Comptroller should develop procedures for uniform and simple data entry. The Director of External Affairs should reconcile DMIS to the ERP at least quarterly.	6/30/2004 and 3/31/2006
Implementation of the Enterprise Resource Planning System (March 31, 2004)	1	The Chief Financial Officer should establish the ERP financial system implementation as a cost center.	7/30/2004
Steven F. Udvar-Hazy Center Business Activities (August 25, 2004)	1	The Chief Financial Officer for SBV should ensure that his staff develops written contracting procedures for monitoring contractor performance.	3/1/2006
Information Systems Controls at the National Museum of Natural History (September 9, 2004)	2	The Director of the National Museum of Natural History should relocate web servers, and ensure oversight of units that administer their own servers and reassign those responsibilities from units that cannot ensure the servers are securely configured and administered to units that can do so.	3/31/2005 and 3/30/2006
Information Systems Controls at Smithsonian Business Ventures (December 3, 2004)	3	The Chief Financial Officer of Smithsonian Business Ventures should close unnecessary open ports and services, establish a more secure method for file transfers and meeting remote access requirements, and remove unnecessary programs from servers.	6/30/2006
Parking at the National Zoological Park (December 27, 2004)	2	The Executive Director of FONZ should evaluate, and if necessary, repair the counters in the parking lots, and, in coordination with the Smithsonian Office of Protection Services, strengthen security over the counting of parking receipts at the end of the day.	12/31/2004 and 3/31/2005

Audit Title and Date	Number of Recs	Summary of Recommendations	Target Date
Smithsonian Institution Network Information System Controls (January 6, 2005)	1	The Chief Information Officer should review the Oracle database servers to ensure they are configured according to industry standards.	4/30/2005
National Air and Space Museum Mall Simulators (February 25, 2005)	5	The Chief Financial Officer of Smithsonian Business Ventures should develop and implement policies and procedures for contractor selection, follow up on intra-institutional receivables, and recording and review accounting entries in accordance with generally accepted accounting principles; institute accounting training for appropriate personnel; and, in coordination with the Director of OFEO, refine responsibilities for payment of utilities expenses.	5/1/2005 through 3/1/2006

## The Investigative Program

During this reporting period, the OIG received 50 complaints, initiated two cases, and closed 36 complaints and three cases. Our investigations resulted in one sentence of confinement, one guilty plea, and several administrative actions, including one termination. In total, OIG investigations led to \$57,665 in recoveries and restitutions and prevented \$107,129 in monetary losses to the Institution.

### Summary of Investigative Activity

#### **Theft of Government Property**

As we reported in the previous Semiannual Report, a former supervisor in the Office of the Comptroller pled guilty on March 24, 2005, to one felony count of Theft of Government Property (18 U.S.C. 641) in the U.S. District Court for the District of Columbia. On September 16, 2005, she was sentenced to 10 months' confinement in prison followed by 3 years of supervised release. The judge also imposed a \$100 special assessment and required restitution of \$25,817 (\$6,100 to the Institution and the balance to a bank on which a fraudulent check was drawn). Additionally, our office recovered \$51,484 for the Institution from various companies affected by the scheme.

#### **Wire Fraud**

A manager stole more than \$80,000 from museum shops where he worked by crediting his debit card with refunds for sales that never took place. He has entered into an agreement with the U.S. Attorney's Office for the District of Columbia to plead guilty to wire fraud. Sentencing is expected by spring 2006.

## **Alleged Assault and Illegal Alcohol and Drug Use at an Institution Facility**

While pursuing allegations of an assault at an Institution facility, OIG investigators determined that an Institution employee had brought underage guests and engaged in illegal alcohol and drug use on Smithsonian property. We also found that the Institution lacked comprehensive policies on alcohol use, guest access, and authorization of activities at the facility, as well as adequate site security. As a result of our investigation, the employee was terminated. Our office also recommended that the Institution clarify its policies on guest and employee access to the facility and review the facility's physical security needs.

## **Counterfeit Check Scheme**

Smithsonian Business Ventures (SBV) reported to us that they had discovered three counterfeit checks drawn on its general disbursement account. The checks had the general appearance of SBV checks, but were not issued by SBV and were made payable to individuals who were not SBV vendors. We investigated the issue and found five counterfeit SBV checks totaling over \$100,000, likely initiated by individuals outside the United States. Neither the banks nor the check recipients suffered any financial loss because we were able to notify the banks that the checks were counterfeit before they were deposited. In total, the OIG prevented a monetary loss to the Institution of \$107,129.

## **Attempted Theft of Collection Items**

An individual conducting research in a non-public area of one of the museums attempted to remove collection items but was observed and stopped by museum staff. After OIG investigators determined that no further items had been taken, the individual was released. The museum director subsequently barred the individual from access to the museum's collection. The U.S. Attorney's Office for the District of Columbia declined prosecution.

**Table 5: Summary of Investigative Caseload, Referrals, and Prosecutive Results**

Investigations	Amount Or Number
<b>Caseload</b>	
Cases pending at beginning of reporting period	6
Cases opened during the reporting period	2
<i>Subtotal</i>	8
Cases closed during the reporting period	3
Cases carried forward	5
<b>Referrals for Prosecution</b>	
Pending at the beginning of the period	1
Referred for prosecution	1
Pending at the end of the period	0
<b>Successful Prosecutions</b>	
Convictions	1
Fines	\$100
Probation	3 years
Confinement	10 months
Monetary Recoveries and Restitutions	\$57,665
<b>Administrative Remedies</b>	
Terminations	1
Resignations	0
Reprimands or admonishments	1
Reassignments	1
Demotions	0
Revocation of privileges	1
Suspensions	0
Monetary loss prevented	\$107,129



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