

# SEMIANNUAL REPORT TO CONGRESS

*April 1, 2009 to September 30, 2009*



Smithsonian Institution  
**Office of the Inspector General**

Cover image: Water Dropper (Yeonjeok)  
Water droppers are used to wet inkstones, from which calligrapher's brushes get ink for writing.  
Porcelain with cobalt decoration, 19-20<sup>th</sup> century  
Korea Gallery, Smithsonian National Museum of Natural History  
Department of Anthropology, Ethnology Collection  
Image credit: Smithsonian Institution

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# Contents

Message to Congress .....	i
Profiles .....	1
Smithsonian Institution Profile .....	1
Strategic Plan .....	2
Office of the Inspector General Profile.....	3
Audits and Reviews .....	4
Audit and Review Accomplishments .....	4
Performance Audits and Reviews.....	4
Information Security Audits .....	10
Fiscal Year 2010 Audit Plan .....	13
Table 1 – List of Issued Audit Reports and Reviews.....	14
Other Audit Activity.....	15
Status of Open Recommendations.....	15
Table 2 – Audit Recommendation Activity .....	15
Table 3 – Reports Issued with Questioned Costs .....	15
Table 4 – Reports Issued with Recommendations that Funds Be Put to Better Use	16
Table 5 – Corrective Actions Not Yet Complete .....	17
Work in Progress.....	20
Management Advisories.....	24
Investigations.....	26
Table 6 – Summary of Complaint Activity .....	28
Table 7 – Summary of Investigative Caseload, Referrals, and Results.....	28
Other Investigative Activity .....	29
Other OIG Activities .....	30



*(Machinery Abstract #2), 1934, by Paul Kelpé. From the Exhibition 1934: A New Deal for Artists at the Smithsonian American Art Museum. Image credit: Smithsonian Institution*

# Message to Congress

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 September 30, 2009. In it, we highlight our efforts to improve the economy, efficiency, and effectiveness of Smithsonian Institution programs and operations, and to prevent and detect waste, fraud and abuse.

During this semiannual period, we saw a notable increase in our productivity, especially on the audit side where we are finally near full staffing levels. We issued eight audit reports and reviews, the most we have issued in a six-month period over a decade. Included in the eight reports is the initial result of our continuing oversight of how the Institution is spending the funds it received under the American Recovery and Reinvestment Act. We made 28 recommendations to improve privacy, information security, funds control, and facilities maintenance and safety. On the investigative side, we received 46 new complaints and opened 3 new cases, and closed 64 complaints and 3 cases. As a result of our investigative work, 2 employees were terminated, 1 employee resigned, and another was reprimanded.

We continue our use of management advisories, a key tool for alerting management to significant issues we have come across during audits, reviews and investigations that do not require in-depth review but should be addressed promptly. During the past six months we issued four such advisories.

We are pleased to report that the Institution generally accepted our audit findings and recommendations and we commend Smithsonian management for implementing or planning appropriate actions to resolve numerous open recommendations to the extent allowed by current resource levels. We note that corrective actions we recommended in an audit over two years ago, and which are critical to security at the Institution, were fully implemented during this semiannual period.

We remain concerned about the Institution's insufficient financial and other administrative resources, including resources for training personnel in those areas, which in part account for the weaknesses in management controls that continue to hamper the Smithsonian's efficiency and accountability. The Institution's new strategic plan, issued in September, does establish "organizational excellence" – including a culture that is "transparent and accountable" – as a key goal. At the same time, the Plan's ambitions are vast and, to be realized, will require even greater financial resources. Through our focus on strengthening financial management and internal controls, we will weigh carefully the risk posed by insufficient resources to the critical goal of sustaining a culture of transparency and accountability. We will also work to find improvements that can be achieved in an environment of limited funding. We also believe we will contribute to the fulfillment of the Strategic Plan by

identifying operational efficiencies to help ease the resource constraints that threaten its achievement.

**W**e are proud to be part of an Institution dedicated to the increase and diffusion of knowledge. We are grateful for the work of Smithsonian management, especially the Secretary, Wayne Clough, in improving the Smithsonian. We also appreciate the continuing interest of the congressional oversight committees with whom we work. Finally, we thank the Audit and Review Committee and the entire Board of Regents for their commitment to and support of our mission.



Anne Sprightley Ryan  
Inspector General

# Profiles

## 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.” 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, the Smithsonian has expanded from the Castle to an extensive museum and research complex that now includes 19 museums, 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 137 million collection items, which form the basis of world-renowned research, exhibitions, and public programs in the arts, history, and the sciences. It is the largest museum and research complex in the world.

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



*Pod 5 of the Smithsonian’s Museum Support Center in Suitland, Maryland, houses all of the National Museum of Natural History’s biological collections that are preserved in fluids. The facility has the latest technology for the safe use of flammable liquids. Image credit: Chip Clark, Smithsonian Institution*

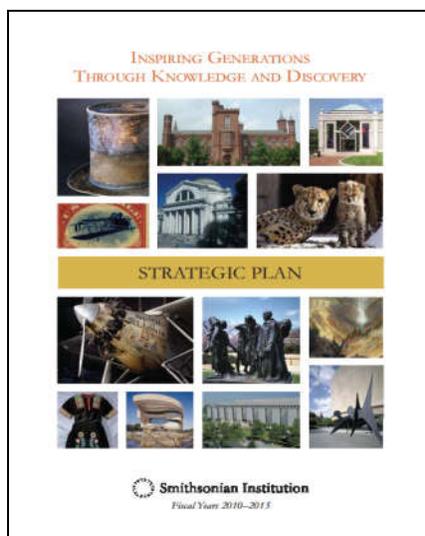
## Smithsonian Institution Strategic Plan

In September 2009, the Board of Regents approved the Smithsonian's new strategic plan for fiscal years (FYs) 2010-2015. The plan sets forth the Institution's mission, vision, and values, as well as a set of specific priorities, all of which will guide the Institution's future course.

These priorities are as follows:

- Focusing on Four Grand Challenges:
  - *Unlocking the Mysteries of the Universe*
  - *Understanding and Sustaining a Biodiverse Planet*
  - *Valuing World Cultures*
  - *Understanding the American Experience*
- Broadening Access
- Revitalizing Education
- Crossing Boundaries
- Strengthening Collections
- Enabling Mission through Organizational Excellence
- Measuring Performance
- Resourcing the Plan

We are especially pleased that the Institution's strategic plan explicitly embraces "a commitment to excellence and accountability" and specifically promotes integrity as a core value, calling on everyone at the Smithsonian to "carry out all our work with the greatest responsibility and accountability."



# **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 fraud, waste, and abuse; to promote economy and efficiency; and to keep the head of the Institution and the Congress fully and currently informed of problems at the Institution. The OIG reports directly to the Smithsonian Board of Regents and to the Congress. Currently, the OIG has 20 full-time and 2 part-time employees.

## **Office of Audits**

The Office of Audits independently audits the Smithsonian's programs and operations, including financial systems, guided by an annual Audit Plan that identifies high-risk areas for review to provide assurance that the Institution's programs and operations are working efficiently and effectively. The Audit Division also monitors the external audit of the Institution's financial statements and contracts out reviews of the Institution's information security practices. The Audit Division includes the Assistant Inspector General for Audits, four project managers, nine auditors, and one analyst.

## **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 Institution's programs and operations. It 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. It also identifies fraud indicators and recommends measures to management to improve the Institution's ability to protect itself against fraud and other wrongdoing. Two Senior Special Agents, with full law enforcement authority, 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.

# Audits and Reviews

Our audits and reviews address two of the values articulated in the Institution's new strategic plan: *excellence* and *integrity*. They also focus on three of the plan's priorities: strengthening collections; enabling mission through excellence; and measuring performance.

We believe our audit work during this semiannual period, which we describe in the following pages, substantially advances these goals and priorities. We completed five audit reports and three review reports; worked with management to close 6 recommendations from previous and current audits; developed our audit plan for the upcoming fiscal year; and completed substantial work on ongoing audits.

## Audit and Review Accomplishments

### Performance Audits and Reviews

During this period, we issued five performance audit reports and review reports on the following topics: the Smithsonian's implementation of the Smithsonian Networks contract; oversight of the Institution's use of Recovery Act funds; non-travel business expenses of senior executives and Regents; facilities maintenance funds; and facilities maintenance and safety.

### Review of the Smithsonian Institution's Implementation of the Smithsonian Networks Contracts

The OIG undertook this review at the request of the Chairman of the Committee on House Administration to provide a report on the Smithsonian Institution's implementation of the Smithsonian Networks contracts. The objectives of this review were to assess how the Smithsonian processes film requests under the contract and, in particular, how the Smithsonian documented its decisions on proposals that were declined; total contract-related revenues received to date and how the proceeds have been spent; total costs of administering the contract and whether policies and procedures established for tracking those costs are adequate; and whether revenues received are consistent with earlier projections.

We reviewed third-party film requests and contract-related costs and revenues for the period January 1, 2006 (the effective date of the contract) through December 31, 2008.

Based on our review of film request decisions made during the period, we believe that the contract has had a minimal impact on third-party filmmakers who want to use Smithsonian content in their programs. The Smithsonian has improved its decision-making process by implementing a central monitoring and tracking system that includes supporting files for each film request decision.

During the period reviewed, the Smithsonian received approximately 446 film requests and declined only two requests based on restrictions in the contract. The Smithsonian has not declined any film requests because of those contract restrictions since August 2006.

The Smithsonian developed a revenue-sharing plan to distribute revenue received from Smithsonian Networks to cover costs and to distribute the remaining balances to the Central Trust and to the Units (museums, research centers, and offices). Under the revenue-sharing plan, annual licensing and other fees received from Smithsonian Networks are split evenly between the Central Pool and the Unit Pool. In our opinion, the Smithsonian has adequate procedures for tracking costs of administering the contract.

Under the contract, the Smithsonian receives a guaranteed annual payment and a share of Networks revenues when gross revenues exceed a stipulated amount. During our review period, the Smithsonian received the guaranteed annual payment, in accordance with the contract. However, the Networks has not generated the additional revenue that was projected in the initial five-year business plan, so the Smithsonian has not yet received additional payment beyond the guarantee. Nevertheless, comparisons to projections in the initial business plan are difficult because of a five-month delay in completing the contract, negative publicity connected to the announcement of the joint venture, and changes in the product strategy.

Based on our review, we made no recommendations to Smithsonian management.

## **Oversight Findings on Timeliness and Transparency of the Smithsonian's Use of Recovery Act Funds**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided supplemental appropriations to federal entities to stimulate the U.S. economy and improve the nation's infrastructure. Under the Recovery Act, the Smithsonian received \$25 million for the repair and revitalization of existing facilities. The Smithsonian is using its Recovery Act resources for projects to improve the overall conditions of buildings and systems and improve the safety and security of visitors, staff, animals and collections both on the Mall and at its facilities in Maryland and Virginia.



Some of the Smithsonian's more significant Recovery Act projects include:

- Repairing the masonry and removing hazardous materials at the Arts and Industries Building
- Installing fire-protection equipment and replacing roofs at the National Zoological Park's (Zoo) Rock Creek Park campus and its Conservation and Research Center (CRC) in Front Royal, Virginia
- Replacing deteriorated animal-holding facilities at CRC
- Repairing bridges at the Zoo's Rock Creek Park campus
- Installing high-voltage electrical safety improvements at multiple locations on the National Mall
- Installing sewage backflow preventers at multiple locations, including the Museum Support Center in Suitland, Maryland
- Installing emergency generators at the Smithsonian Environmental Research Center in Edgewater, Maryland
- Refurbishing or replacing elevators and escalators at the National Air and Space Museum and the National Museum of American History

During the semi-annual period, our Office of Audit worked in concert with the Recovery Accountability and Transparency Board to implement an oversight approach to the Smithsonian's use of its Recovery Act funds. The Smithsonian worked diligently to award the funds in a timely and efficient manner: by September 30, 2009 it had awarded 87% of its Recovery Act funds.

We conducted a review of selected facility projects chosen by the Smithsonian to receive recovery funds. We followed these projects through the contracting process from solicitation through contract award. Our objective was to determine whether the Smithsonian was timely and transparent in its awarding of contracts, complied with the Federal Acquisition Regulation, and embraced the best practices outlined in Office of Management and Budget (OMB) guidelines and Small Business Administration (SBA) regulations. Of special concern to the Recovery Accountability and Transparency Board and to us was the expectation that under best practices the Smithsonian would engage in full and open competition in all its contract awards.



*Scaffolding on the Arts and Industries Building for masonry repair funded by the American Recovery and Reinvestment Act  
Image credit: Steven Townsend*

awarded contracts to ensure that all projects are completed on time and in accordance with expectations. We will also monitor contractor reporting on the use of Recovery Act funds and the extent to which they have been successfully applied to protect and create jobs.

In conducting our oversight work we noted that the Smithsonian intended to fund some of its Recovery Projects under the SBA's Business Development Program. Though the Smithsonian sought to award contract funds competitively under the program, SBA prohibits competitive awards that fall below a stipulated threshold. We advised the Smithsonian of this requirement and, in response, contracting officials successfully obtained the required waiver. We also noted some delays with the timely submission of information to the various public databases, including the Federal Business Opportunities and the Federal Procurement Database System.

The Office of Audits will continue to oversee the implementation of the

## **Review of Non-Travel Business Expenses of Senior Executives and Regents**

The Smithsonian Board of Regents requested that the OIG determine the reasonableness of non-travel expenses incurred by high-level Smithsonian officials, Regents, and Advisory Board members. Such expenses included entertainment, local car service, gifts, catering, meals, and representational expenses (i.e., expenses incurred by officials when they are representing the Institution at outside events). We hired an independent accounting firm and oversaw their review, which covered 1,154 non-travel transactions for 18 Smithsonian units, five Advisory Boards, and the Regents, totaling \$944,000, for the two-year period from July 1, 2006 through June 30, 2008.

We questioned approximately \$94,000, or 10 percent of the total amount. The questioned costs were of two types: unreasonable expenses, and expenses lacking supporting documentation. We questioned \$51,945 as unreasonable. Most notably, we questioned the reasonableness of \$47,800 for two Smithsonian executives for a three-week leadership training course. In addition, we noted \$39,668 in car service expenses at one unit for senior officials to travel within New York City. The expenses for these car services were mostly incurred prior to the Smithsonian's April 2008 Travel Handbook revision, a period in which Smithsonian policy guidance for car services was unclear. We therefore did not report these costs as questionable. However, \$2,325 of these expenses were incurred after the Smithsonian policy revision, and we questioned that amount as excessive.

We also questioned another \$42,000 at four Smithsonian units, including the two units noted above, and four Advisory Boards for lack of supporting expense documentation. In most instances, the questioned transactions were the result of incomplete records and inattentiveness to policies, two areas in which the Institution needs improvement.

We noted that 14 out of the 18 Smithsonian units had no questioned costs, and we did not uncover any extravagances other than the two described above.

Smithsonian management responded to each of our questioned costs. With respect to the training, management noted that it was not out of line with other high-end executive development programs. With regard to the car services, in August 2009 management issued a revised Travel Handbook as a part of Smithsonian Directive (SD) 312 clarifying policies and procedures for miscellaneous expenses reimbursements, emphasizing the approvals required and the need to retain expenses documentation for audit purposes. Finally, Smithsonian management agreed that units need to be more disciplined about retaining expense documentation to support purchase orders and credit card transactions. Management stated it would emphasize this point in an August 2009 Smithsonian-wide communication, but had not done so as of the close of this semiannual period.

This review was part of a larger effort, including our audit of travel oversight (issued January 23, 2009), to audit the range of expenses incurred by high-level Smithsonian officials.

## **Audit of Facilities Maintenance and Safety**

We conducted an audit of the Smithsonian Institution's facilities maintenance to determine whether the Smithsonian (1) adequately manages risk with existing maintenance funding, and (2) is correcting safety incidents caused by disrepair. We found that the Institution has processes in place for adequately maintaining the heating, ventilation, and air conditioning systems (HVAC) and the vertical transportation equipment for the areas we reviewed. We did not find any evidence of safety incidents caused by disrepair for HVAC and vertical transportation equipment. Various mechanisms, such as safety evaluations and priority codes, are in place to prevent injuries

Nonetheless, we found several ways in which the Institution could improve the management of its maintenance program through upgrades and better implementation of its automated maintenance management system. We noted that there are some compensating controls to mitigate the risks of critical HVAC breakdowns that might result in damage to the collections.

We made two recommendations to strengthen policies and procedures related to documentation of facilities maintenance. These recommendations should improve management of critical assets using the Smithsonian's maintenance management system. Management concurred with our findings and recommendations and has planned corrective actions to resolve both our recommendations.

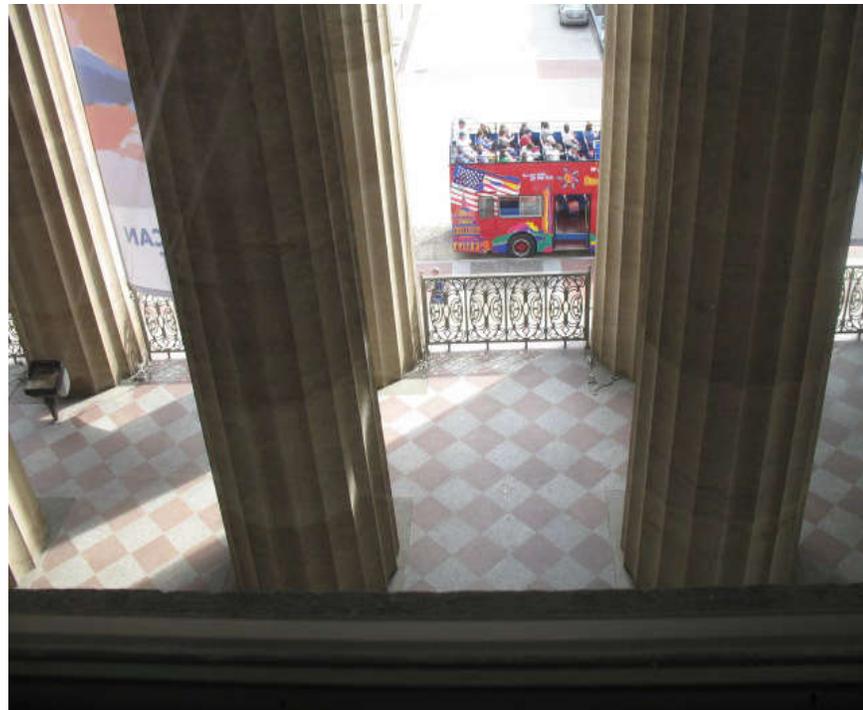
## **Facilities Maintenance Funds**

During our audit of facilities maintenance and safety at the Smithsonian, we found that the Smithsonian used maintenance funds for capital expenditures and recorded information inaccurately in its financial accounting system. Because of the significance of the practice, we issued a separate report ahead of our facilities maintenance and safety audit report.

We found that the Smithsonian did not always ensure the proper use of and accounting for its federal facilities maintenance funds. Specifically, the Smithsonian used maintenance funds instead of capital funds to pay for unplanned capital projects.

For two FY 2008 projects we reviewed, we found that the Office of Facilities Engineering and Operations (OFEO) improperly used maintenance funds for 53 percent of the projects' costs, or \$549,318 out of approximately \$1 million. Although there was a capital projects contingency fund, OFEO chose not to use it to pay for these unplanned projects. Consequently, the Smithsonian spent appropriated funds contrary to the intent of Congress. Furthermore, by diverting maintenance resources to unplanned capital projects, the Institution may not have accomplished all of its FY

2008 planned maintenance, which may result in increased capital costs in the future. The incorrect funding of these projects also resulted in OFEO personnel making erroneous accounting entries. As a result of OFEO using maintenance funds to pay for capital projects, the Smithsonian is violating Smithsonian



Directive (SD) 305 and the Purpose Statute. OFEO's actions may also constitute a violation of the Anti-Deficiency Act (ADA). A purpose violation does not result in an ADA violation if the proper funds were available from the

*The F Street Portico of the Donald W. Reynolds Center for American Art and Portraiture. Image Credit: Michelle Uejio*

time of the erroneous obligation to the time when the entity makes the correction. To assess whether the Smithsonian violated the ADA for these projects, management must determine whether the proper capital funds were available since the time of the erroneous obligations.

We made seven recommendations that will strengthen the Smithsonian's policies, procedures, and training on management of facilities funds. We also made three recommendations that the Institution identify prior maintenance obligations that may constitute Purpose Act or ADA violations and take appropriate action to correct or report funding errors as required by federal appropriations law. Management concurred, in whole or in part, with our recommendations and proposed corrective actions, including reviewing a sample of prior maintenance obligations for possible ADA violations. Management's proposed actions will resolve all of our recommendations.

## **Information Security Audits: Federal Information Security Management Act**

The Federal Information Security Management Act of 2002 (FISMA) directs the Office of the Inspector General to conduct annual evaluations of the information security

program of the Institution, which is critical to protecting the Institution's mission. FISMA sets forth federal information security compliance criteria, including annual assessments, certification and accreditation of systems, and system security plans. The Institution voluntarily complies with FISMA requirements because it is consistent with its strategic goals.

During this semiannual period we oversaw three FISMA-related audits: the Smithsonian Institution Research Information System, the Institution's privacy program, and the Smithsonian's network infrastructure.

## **Smithsonian Institution Research Information System (SIRIS)**

SIRIS is an Institution-wide public and scholarly research system that manages, describes, and provides access to information resources held primarily by the Institution's libraries, archives, and research units in support of the Institution's mission. The system provides an online database housing over 1,700,000 records of the Smithsonian's archival, library and specialized research collections, covering a wide variety of topical subjects from art and design, to history and culture, to science and technology.

Our objectives were to evaluate and report on management's identification, documentation, and implementation of management, operational, and technical security controls. Overall, we determined operational, management, and technical controls for the SIRIS application were substantially in place and operating effectively. While management complied with the majority of Institution, OMB, and NIST requirements, we did identify three areas where management needs to implement improvements. Specifically, we found that:

- Librarians entered social security numbers into SIRIS, against established policy and without management's knowledge, increasing the risk that this information may be inappropriately accessed and used by unauthorized personnel.
- Management has not developed or implemented a security configuration baseline for the SIRIS database. Instead, management uses the default configuration settings, which may not adequately protect the system.
- Finally, the SIRIS security plan does not accurately describe all controls in place. Without adequate or accurate descriptions of controls, management may be unaware of security risks to the system.

We made three recommendations to strengthen controls over the SIRIS application by ensuring that librarians do not enter sensitive personally identifiable information such as social security numbers into the SIRIS application; that management identifies, documents, and implements a baseline for the SIRIS database; and that management reviews and updates the system security plan to include accurate

descriptions of the controls in place or planned. Management concurred with our findings and recommendations and has planned actions that will resolve all our recommendations.

## **Smithsonian Institution Privacy Program**

We conducted an audit of the Smithsonian Institution's privacy and data protection policies, procedures, and practices to determine whether the Institution effectively handles privacy information.

We found that the Smithsonian needs to significantly improve its policies, procedures, and practices related to identifying, collecting, processing, and safeguarding sensitive personally identifiable information (PII). While the Smithsonian has addressed some privacy considerations, the measures it has taken are generally limited in scope, decentralized, and ultimately ineffective. Specifically, we found that:

- The Institution has not defined the responsibilities of the Senior Agency Official for Privacy (SAOP) to develop and implement a privacy program. Additionally, the SAOP should have competencies in the legal, security, and compliance aspects of privacy and, through hands-on involvement, be able to enforce policy.
- The Institution has not developed, documented, and implemented privacy policies and procedures for the identification, collection, use, storage, disclosure, and safeguarding of sensitive PII.
- Not all Smithsonian employees and contractors with access to PII understand privacy risks and their responsibilities for appropriately safeguarding PII.
- The Institution has not formalized procedures for conducting privacy impact assessments (PIA). Management acknowledges that, due to a backlog, it has not posted many completed PIAs on the Smithsonian website.
- Finally, management did not ensure that physical controls over sensitive PII were in place.<sup>1</sup>

Without taking these actions the Institution leaves itself vulnerable to excessive privacy-related risks, such as inappropriately collecting, processing, and storing sensitive PII.

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<sup>1</sup> We issued three Management Advisories related to the lack of physical controls over sensitive PII in the previous two semiannual periods. See our April 2009 Semiannual Report, p. 19, and our October 2008 Semiannual Report, p. 21.

We made 11 recommendations to strengthen controls over private information by clearly defining the responsibilities of the SAOP; developing, documenting, and implementing a comprehensive privacy program; establishing privacy training; conducting PIAs and posting them on websites; and alerting staff to the importance of properly securing PII. Management generally concurred with our findings and recommendations.

## **Smithsonian Institution Network Infrastructure (SINet)**

SINet provides network services to more than 11,000 end-users as well as access to administrative and program applications and databases throughout the organization. SINet spans a large geographical area, including many buildings and museums in the Washington, D.C. area, the Smithsonian data center in Virginia, research centers and museums in several states, and facilities in Panama.

Overall, we determined that operational, management, and technical controls were substantially in place and operating effectively. While management has complied with the majority of Institution, OMB, and NIST requirements, we did identify two areas where management needs to improve. Specifically, we found that the Office of the Chief Information Officer (OCIO) performs scans of parts of the network throughout the year using a vulnerability scanner. However, this scanner did not identify vulnerabilities identified by the auditors using different tools. Management confirmed that the additional higher-risk vulnerabilities existed. As a result of our identification of additional vulnerabilities, management needed to apply patches to the devices affected.

We made two recommendations to strengthen controls over the SINet general support system. We recommended that the CIO direct the Chief Information Security Officer to improve the effectiveness of vulnerability scans by addressing the limitations of the scanner in use. We also recommended that the CIO direct two systems owners to remediate the identified vulnerabilities in accordance with OCIO procedures. Management concurred with our findings and recommendations and has planned actions that will resolve our recommendations.

## **Fiscal Year 2010 Audit Plan**

In September 2009, we published our fiscal year 2010 Audit Plan, which is available on our website, <http://www.smithsonian.org/oig>. We have designed a risk-based approach focusing on Institution operations, beginning with the Institution's broad Strategic Plan objective of building an organizational culture that is transparent and accountable by emphasizing personal, professional and organizational accountability. The execution of our plan will keep the Board of Regents, Smithsonian management, Congress and the public informed of the success and shortcomings of key operations.

Thus, in addition to our annual oversight of the Institution’s annual financial statement audits and obligatory information security audits, we will initiate audits and reviews in FY 2010 that will address:

- Oversight of American Recovery and Reinvestment Act Funds
- Travel and Other Expenses of the Board of Regents
- Collections Stewardship at the National Museum of American History
- Acquisition Workforce Training
- Pre-Award and Post-Award Audit Services
- Controls over Corrections in the Financial System
  
- Payment Card Industry Standards Compliance
- Membership Organizations
- Management of Smithsonian Directives
- Cost Savings through Volume Purchasing
- Reducing Cancelled Funds

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Table 1 lists the audit reports and reviews we issued during this semiannual period.

**Table 1: List of Issued Audit Reports and Reviews**

<b>Report Number</b>	<b>Title</b>	<b>Date Issued</b>
<b>A-08-08</b>	<b>Smithsonian Institution Privacy Program</b>	<b>5/29/2009</b>
<b>A-09-02</b>	<b>Smithsonian Institution Research Information System (SIRIS)</b>	<b>6/12/2009</b>
<b>A-08-07</b>	<b>Review of Non-Travel Business Expenses of Smithsonian Executives and Boards</b>	<b>7/02/2009</b>
<b>A-09-05</b>	<b>Review of the Smithsonian Institution’s Implementation of the Smithsonian Networks Contracts</b>	<b>8/21/2009</b>
<b>A-09-09</b>	<b>Oversight Findings on Timeliness and Transparency of the Smithsonian’s Use of Recovery Act Funds</b>	<b>9/01/2009</b>
<b>A-09-03-1</b>	<b>Facilities Maintenance Funds</b>	<b>9/03/2009</b>
<b>A-09-03-2</b>	<b>Audit of Facilities Maintenance and Safety</b>	<b>9/14/2009</b>
<b>A-09-01</b>	<b>Smithsonian Institution Network Infrastructure (SINet)</b>	<b>9/29/2009</b>

## Other Audit Activity

### Status of Open Recommendations

Smithsonian managers made significant efforts during the last six months to implement the recommendations from audit reports we issued during the current and prior semiannual reporting periods. As a result, we closed 6 recommendations during the past six months.

Table 2 summarizes audit recommendation activity.

**Table 2: Audit Recommendation Activity**

Status of Recommendations	Numbers
Open at the beginning of the period	55
Issued during the period	<u>28</u>
Subtotal	83
Closed during the period	<u>6</u>
Open at the end of the period	<u>77</u>

Two of the closed recommendations reflect improvements to the Institution's information security. Another two closed recommendations have resulted in improvements to travel oversight. One implemented recommendation brought improvements to employee and contractor screening. Finally, implementation of another recommendation has improved administration of the Workers' Compensation Program.

Tables 3 and 4 below detail management decisions regarding questioned costs and funds to be put to better use.

**Table 3: 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	1	\$189,563	\$0
Reports issued during the reporting period	1	<u>\$93,788</u>	\$0
Subtotal	2	\$283,351	\$0
Reports for which a management decision was made during the reporting period			
• Dollar value of disallowed costs	0	\$0	\$0
• Dollar value of costs not disallowed	1	\$93,788	\$0
Reports for which no management decision has been made by the end of the reporting period	1	\$189,563	\$0

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<b>Reports for which no management decision was made within 6 months of issuance</b>	<b>1</b>	<b>\$189,563</b>	<b>\$0</b>
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**Table 4: Audit 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	\$7,333,204
<b>Reports issued during the reporting period</b>		
<i>Subtotal</i>	0	\$0
Reports for which a management decision was made during the reporting period	0	\$0
• Dollar value of recommendations that were Agreed to by management	0	\$0
• Dollar value of recommendations that were not agreed to by management	0	\$0
Reports for which no management decision has been made by the end of the reporting period	1	\$7,333,204
Reports for which no management decision was made within 6 months of issuance	1	\$7,333,204

While management made progress in closing old recommendations, 50 recommendations we made in prior semiannual periods, primarily related to information security, remained open at the end of this reporting period. Of those recommendations, 3 are over 3 years old, 10 are over 2 years old, 23 are over 1 year old, and the remaining 14 are less than 1 year old. We summarize these open recommendations from prior semiannual periods and their target implementation dates in Table 5.

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

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Steven F. Udvar-Hazy Center Business Activities (8/25/04)	1	The Director of the Office of Contracting should ensure that his staff develops written procedures for monitoring contractor performance.	3/31/2010
National Air and Space Museum Mall Simulators (2/25/05)	1	The Director of the Office of Contracting should develop and implement written policies and procedures for contractor selection.	3/31/2010

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Physical Security and Inventory Control Measures to Safeguard the National Collections at the National Museum of Natural History (9/29/06)	1	The Director, NMNH should direct the Department of Mineral Sciences to conduct a complete inventory and develop a follow-up plan to locate all missing objects.	12/31/2009
FY 2006 FISMA Review of the Smithsonian Institution's Information Security Program (4/20/2007)	2	The CIO should establish Institution-wide controls to ensure that major applications are not placed into production before formal certification and accreditation and formal authorization to operate; and establish procedures to ensure existing policies requiring the use of standard baselines are implemented and enforced.	6/15/2009 to 7/31/2010
FY 2006 Smithsonian Institution Network (SINet) Audit (8/10/07)	1	The CIO should enforce separation of duty controls noted in the SINet system security plan and specifically segregate system administration roles from security roles.	12/15/2009
Friends of the National Zoo Revenue Operations (8/28/07)	4	The Executive Director of FONZ should reevaluate the policy of allowing free parking for FONZ and Zoo employees and others; reexamine the unlimited free parking benefits enjoyed by FONZ members and consider limiting free member parking during peak months; and establish a more disciplined system for developing, approving, and documenting formal, written operational policies and procedures and ensure that policies and procedures are implemented as designed. The Board of Directors of FONZ should direct the Executive Director to document a thorough risk assessment and report to the Board on FONZ's system of mitigating controls.	12/31/2009 to 12/31/2010
Human Resources Management System (9/19/2007)	3	The CIO should identify, document, and implement segregation of duty controls for sensitive administrative and system support functions; enforce Institution policy and procedures requiring the weekly review of logs and monthly submission of management reports to OCIO; and, document final baselines for the HRMS operating system and database after determining what Institution-wide baselines will be adopted and specifically note where suggested security settings have not been implemented for valid business purposes.	6/15/2009 to 12/15/2009
FY 2007 FISMA Audit of the Smithsonian Institution's Information Security Program (3/31/2008)	4	The CIO should ensure that all major and minor systems are addressed in system security plans in accordance with OMB and NIST guidelines. OCIO should identify, document, and implement controls over major and minor systems based on their impact on the Institution or sensitivity of data they process or store; ensure that system sponsors report their progress on security weakness remediation to the OCIO regularly (at least quarterly) in accordance with established Institution policies; develop and document procedures for consolidating system-specific POA&M activities into the Institution-wide POA&M; develop and document clear criteria for determining what types of system-specific weaknesses should or should not be included in the agency-wide POA&M; and, develop, document, and implement policies and procedures for conducting annual security control testing that include minimum requirements for documenting test procedures and results.	3/15/2009 To 7/30/2010

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
ID and Badging, C-CURE Central, and Central Monitoring Systems (3/31/2008)	1	The System Sponsor should implement baselines for the various components of the system including all databases and operating systems, and, where suggested security settings cannot be implemented for valid business purposes, management should document deviations from the baseline.	6/30/2011
Administration of the Continuation of Pay Program (7/18/2008)	2	The Director of OHR, in coordination with HR Directors at SE, SAO, and STRI, should instruct the units to prepare corrected employee timecards and seek reimbursements for the identified overpayments and improper payments, as appropriate; and, conduct a review of those employees who received COP benefits who were not included in our sample; identify overpayments and improper payments; and take corrective action.	12/31/2009
Smithsonian Astrophysical Observatory Scientific Computing Infrastructure (9/30/2008)	10	<p>The Director of the Smithsonian Astrophysical Observatory should logically segregate public-facing SAO web sites from internal areas by transferring or migrating these sites inside a DMZ; comply with IT-960-TN16 and maintain individual server configuration documents for each server by system owner with all deviations documented; comply with Smithsonian policy and implement lock-out controls on all Solaris and Linux machines; research tools that will enable automatic review of account activity for Solaris NIS or identify compensating controls; provide security awareness training to all staff within 30 days of hire; follow NIST and Smithsonian requirements for maintaining logs in a centrally located area and review logs on a regular basis; and identify an alternate storage facility geographically separated from the primary site.</p> <p>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; and, ensure system sponsors implement NIST, OMB, and Smithsonian requirements within required timeframes.</p>	6/15/2009 to 12/15/2009

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
NMNH EMu Application	6	<p>The Director of the National Museum of Natural History should develop, document, and enforce procedures for administering the life cycle management process for EMu that address the initiation, requirements definition, detailed analysis and design, development and testing, deployment, and operations related to the customization to the System; define software development work products depending on type of change and formally document, track, and manage life cycle management work products, as required by SD 920; require all individuals to use a unique user ID and password to gain access to the information system; update the System Security Plan to address each aspect on the Account Management control description, including establishing, activation, modifying, and reviewing accounts; and ensure that the System Security Plan language is relevant, applicable and complete.</p> <p>The CIO should ensure all individuals who have direct access to Institution information system resources, including those without SINet accounts, sign required rules of behavior forms and complete security awareness training; and enforce Institution policy and procedures requiring submission of appropriately detailed management reports to OCIO based on the frequency described within Smithsonian technical guidelines, either monthly, quarterly or annually, depending on the reportable item.</p>	4/15/2009 to 11/15/2009
FISMA Audit of the Smithsonian Institution's Information Security Program	9	<p>The Director of the Office of Protection Services should approve an Institution-wide initiative to develop, design and implement a mechanism to track and monitor all employees, contractors, volunteers visiting scholars, and interns, for compliance with security awareness training, regardless of access to an Institution computer or network; and ensure that general security awareness training is available and enforce the requirement that all employees, contractors, volunteers, visiting scholars, and interns complete the training.</p> <p>The CIO should identify and remediate the weaknesses that permitted individuals who had not completed annual computer security awareness training to avoid consequences of non-compliance; ensure the implementation of FDCC requirements across all domains at the Institution and document any deviations; ensure that all information is included within system POA&amp;Ms in accordance with Institution policies and OMB requirements and ensure that all findings from external or OIG reports are included and tracked within the Institution-wide POA&amp;Ms; identify all of the Institution's public websites that use e-authentication; and complete risk assessments for each public website that uses e-authentication, in accordance with OMB guidance.</p>	8/15/2009 to 9/30/2010

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
		<p>The CIO and the ERP Program Sponsor should complete a revised risk assessment, including the single and consolidated C&amp;A package for ERP Financials, to ensure that various components within the new system accreditation boundary controls have been designed, implemented, and tested.</p> <p>The CIO and System Sponsor should ensure that C&amp;A policies and procedures are followed, especially the requirement for proper signatures.</p>	
Administration of the Workers' Compensation Program	5	<p>The Director of OHR should revise Smithsonian Directives to incorporate OWCP guidance on effective management of the workers' compensation program; seek corrective action, as appropriate, from OWCP for cases identified in our sample; and conduct periodic reviews of open FECA cases to ensure that OWCP has obtained updated medical reports from physicians and is taking necessary actions to return employees to work as soon as possible.</p> <p>The Under Secretary for Finance and Administration should develop and implement an Institution-wide return-to-work program that includes specific policies and procedures for transitioning injured employees to full, modified or light duty work including, if appropriate, a requirement that claimants provide updated medical reports; and incorporate a return-to-work component in OHR workers' compensation training for supervisors, including guidance on implementing the newly developed return-to-work program.</p>	12/31/09 to 2/28/2011

## Work in Progress

We have begun or are near completing a number of audits and reviews, including those we describe below.

### Personal Property Management

We initiated this audit because the Government Accountability Office (GAO) and others have recently reported on the lack of accountability and weak internal controls in personal property management at other federal entities. Furthermore, as part of its response to a Board of Regents' Governance Recommendation, the Smithsonian has identified personal property management as one of the highest risk processes out of the Institution's 23 critical processes. The Smithsonian reported \$12.3 million in recorded missing property over the last five years.

Our objectives were to (1) assess the design and effectiveness of internal controls over the acquisition, recording, and disposal of the Smithsonian's accountable personal property; and (2) determine whether recent policy and procedure changes have improved accountability and significantly stemmed losses of such assets. We will issue the report in the early part of the next semiannual period.



*Accountable property tag on an Institution-issued laptop. Image credit: Michael Pickett*

### Collections Security and Inventory Controls at the National Air and Space Museum

This report, a continuation of our series covering collections at the Smithsonian, will present the results of our audit of the security and inventory control measures safeguarding the collections at the National Air and Space Museum (NASM). The NASM collection includes approximately 56,000 aircraft and space objects. NASM displays and stores objects at the National Mall Building, Steven F. Udvar-Hazy Center, and at the Paul E. Garber Facility in Suitland, Maryland. An earlier audit covered the National Museum of Natural History;<sup>2</sup> the next audit in the series will cover the National Museum of American History (see description on the following page).

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<sup>2</sup> See our October 2006 Semiannual Report, p.9.



Our objectives were to determine whether (1) physical security is adequate to safeguard the collections, and (2) inventory controls are in place and working adequately to ensure the collections are properly accounted for in compliance with collections management policies and procedures. We assessed the use and effectiveness of security devices throughout NASM; evaluated access to storage facilities; examined inventory controls; and identified missing or misplaced objects by testing inventories. We will issue the report in the next semiannual period.

*Apollo 11 Command Module Columbia. Forty years ago, in July 1969, NASA's Apollo 11 mission reached the moon. The Command Module and other items from that mission are on display at the National Air and Space Museum. Image credit: Eric Long, National Air and Space Museum*

## **Oversight of the Smithsonian's Use of Recovery Act Funds**

The Smithsonian has awarded 87% of its Recovery Act funds to date to contractors to repair and revitalize facilities. In the next six months, we will continue to examine the Smithsonian's oversight of the contractors and assess, for a sample of high-dollar projects, Smithsonian efforts to confirm that each is meeting milestones, that project officials identify problems and take corrective actions to promptly remedy them, and that the Smithsonian is monitoring the quarterly progress reports each contractor is required to submit to the Recovery.gov, the central database for all Recovery Act activity. We will continue to meet regularly with representatives from the Smithsonian's facilities, contracting, and budgeting operations to provide them with timely results from our ongoing audit coverage.

## **Capital Projects Management**

This audit follows up on specific internal control weaknesses relating to capital project oversight that we identified in previous audits.<sup>3</sup> Our objectives are to determine whether the Institution is effectively managing key risks for selected capital projects that represent significant investments for the Institution. We are assessing (1) financial reporting capabilities available for controlling projects costs; (2) whether project schedule and tracking systems exist to facilitate detection of emerging problems that could delay the projects; and (3) whether contingency funds are sufficient to cover unanticipated problems and whether these funds are being properly monitored and spent. We will issue this report in the next semiannual period.

## **Collections Stewardship at NMAH**

We have begun our audit of collections stewardship at the National Museum of American History (NMAH) Behring Center. The NMAH Behring Center has over 3 million artifacts in its collection, reflecting all aspects of the history of the United States. The museum reopened in November 2008 after a 2-year renovation and recently moved a number of its stored collections to the Pennsy Collections and Support Center in Landover, Maryland.

This audit is part of our ongoing series of audits addressing weaknesses in the physical security and inventory controls for the national collections. In this audit we will expand our objectives to include an assessment of the condition of the collections, an area of renewed emphasis across the museums. In 2009, the Secretary established an organizational goal to develop collection assessment standards that can be applied to all Smithsonian collections. The National Collections Coordinator developed a survey for units to rank collections care. The Smithsonian expects to use the results to establish quantitative standards for collections care and, eventually, individual performance standards for collections stewardship. We will review the success in improving collections stewardship through the use of data collection tools and performance management.

## **Oversight of Financial Statement Auditors**

Because of our limited resources, we contract with external auditors to conduct the Institution's annual financial statement audits. We provide oversight of the audits: we review planning documents, internal control documentation, workpapers, and

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<sup>3</sup> See our September 30, 2003 Semiannual Report, pp. 7-8.

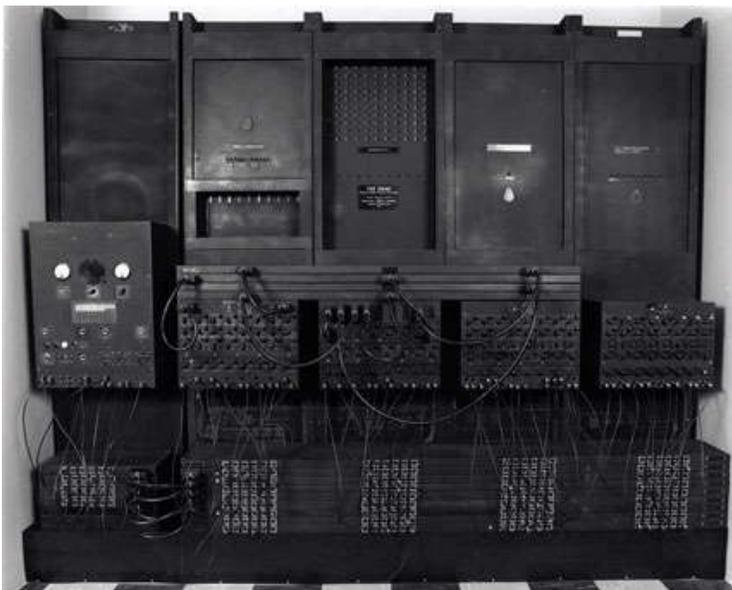
reports. We also evaluate key judgments, provide guidance where necessary, analyze findings, and evaluate corrective actions from previous audits.

The Smithsonian undergoes three separate financial statement audits each year: the federal special purpose audit, the Smithsonian-wide audit (both federal and trust funds), and the OMB A-133 audit of the Smithsonian's federal grants and contracts. The Smithsonian received unqualified audit opinions on all three financial statement audits.

The federal special purpose audit and the Smithsonian-wide financial statement audit for FY 2009 will be completed during the next semiannual period. Once they are done, we will issue our annual quality assurance letter to the Board of Regents' Audit and Review Committee, summarizing our observations on the audits and suggesting future improvements.

## **Federal Information Security Management Act Audit**

We have engaged an outside consultant to perform an evaluation of the Institution's overall information security program and compliance with FISMA to address its 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.



*The ENIAC—the Electrical Numerical Integrator and Computer—was a large, general-purpose digital computer built to compute ballistics tables for U.S. Army artillery during World War II. Occupying a room 30 feet by 50 feet, ENIAC weighed 30 tons and used some 18,000 vacuum tubes. It could compute 1,000 times faster than any existing device. Technicians used external plug wires, like those shown here, to program the machine. From the [Division of Information Technology and Communications](#) at the National Museum of American History. Image credit: Smithsonian Institution*

# Management Advisories

During the course of investigations, and occasionally audits, the OIG learns of issues or problems that are not within the immediate scope of the investigation or audit and may not merit the resources of a full-blown review, or issues that require immediate management attention. To alert management to these issues so that they may be addressed promptly, we send Management Advisories or Investigative Memorandums on Management Issues and ask for a response.

During this reporting period, we issued four management advisories.

## **Internal Control Weaknesses over Sensitive Data Removal**

During the course of conducting our audit of personal property management (forthcoming), we found that the Smithsonian has not implemented policies and procedures to ensure that sensitive information is removed from all BlackBerry devices prior to their disposal. While the Office of the Chief Information Officer (OCIO) does not require BlackBerry users to turn in their old devices to have them wiped of data, OCIO does remove data when employees turn in old devices voluntarily. However, purchasing of these devices is decentralized, so OCIO could not be certain that they receive all devices purchased with Smithsonian funds because OCIO is only aware of those devices connected to the OCIO-managed server.

Accordingly, we issued a management advisory noting our belief that the Smithsonian's decentralized BlackBerry purchases and the Institution's failure to track all BlackBerry and other personal data devices increases the risk that the Institution may compromise sensitive information potentially stored in these items.

OCIO is currently revising the policy and procedures on BlackBerry smartphones and similar devices and will include a provision requiring BlackBerry users to turn in all Smithsonian devices to OCIO for data removal prior to disposal. We urged OCIO to complete and implement that revision promptly.

## **Security Issues at the National Air and Space Museum**

In the course of conducting our audit on physical security and inventory controls at the National Air and Space Museum (forthcoming), we discovered deficiencies in security that required prompt management attention. We provided management with our specific findings so that they could be addressed immediately.

## **Management Issues**

During an inquiry into allegations of mismanagement, investigators determined that time and attendance policies were not being followed. We advised management to conduct an audit of time-keeper records at that unit. At that same unit, investigators determined supervisors and managers were unaware of the proper procedures and policies regarding telework and reasonable accommodation. We recommended that management issue appropriate guidance on those topics. Management responded promptly and has begun actions to implement our suggestions.

## Misuse of Smithsonian Logo

It came to our office's attention that a vendor was using the trademarked Smithsonian Logo in its promotional literature and had quoted Smithsonian personnel in an endorsement on its website, without the required written consent of the Institution. The responsible unit personnel were unaware of the requirement for review and approval of such arrangements. As a result of our inquiry and memorandum, the vendor ceased using the logo and the endorsement.

SMITHSONIAN INSTITUTION PURCHASE ORDER TERMS AND CONDITIONS	
<p><b>1. COMPLETE AGREEMENT</b> - The purchase order and all documents attached represent the entire agreement between the Smithsonian Institution (SI) and the Contractor. Any modification, alteration or amendment to this purchase order must be in writing and signed by an authorized agent of the SI.</p> <p><b>2. INSPECTION AND ACCEPTANCE</b> - The Contractor shall tender for acceptance only those items that conform to the requirements of this contract. The SI reserves the right to inspect, test or evaluate any supplies or services that have been tendered for acceptance. The SI may require repair or replacement of nonconforming supplies or re-performances of nonconforming services at the Contractor's expense. The SI must exercise its post acceptance rights: (1) Within a reasonable period of time after the defect was discovered or should have been discovered; and (2) Before any substantial change occurs in the condition of the item, unless the change is due to the defect in the item. Inspection and acceptance will be at destination, unless otherwise provided in writing. Until delivery and acceptance, and after any rejections, risk of loss will be on the Contractor unless loss results from negligence of the SI. Final acceptance by the SI will be conditional upon fulfillment of the above requirements.</p> <p><b>3. OVERPAYMENT</b> - If the Contractor becomes aware of a duplicate invoice payment or that the SI has otherwise overpaid on an invoice payment, the Contractor shall immediately notify the Contracting Officer and request instructions for disposition of the overpayment.</p>	<p>Contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.</p> <p><b>9. TERMINATION FOR CAUSE</b> - The SI may terminate this contract, or any part hereof, for cause in the event of any default by the Contractor, or if the Contractor fails to comply with any contract terms and conditions, or fails to provide the SI, upon request, with adequate assurances of future performance. In the event of termination for cause, the SI shall not be liable to the Contractor for any amount for supplies or services not accepted, and the Contractor shall be liable to the SI for any and all rights and remedies provided by law. If it is determined that the SI improperly terminated this contract for default, such termination shall be deemed a termination for convenience.</p> <p><b>10. TERMINATION FOR THE SMITHSONIAN'S CONVENIENCE</b> - The SI reserves the right to terminate this contract, or any part hereof, for its sole convenience. In the event of such termination, the Contractor shall immediately stop all work hereunder and shall immediately cause any and all of its suppliers and subcontractors to cease work. Subject to the terms of this contract, the Contractor shall be paid a percentage of the contract price reflecting the percentage of the work performed prior to the notice of termination, plus reasonable charges that the Contractor can demonstrate to the satisfaction of the SI using its standard record keeping system, have</p>
<p><b>4. USE OF SMITHSONIAN NAME or LOGO PROHIBITED</b> - The SI owns, controls and/or has registered the trademarks /service marks "Smithsonian," "Smithsonian Institution" and the Smithsonian sunburst logo. Except as may be otherwise provided herein, the Contractor shall not refer to the SI or to any of its museums, organizations, or facilities in any manner or through any medium, whether written, oral, or visual, for any purpose whatsoever, including, but not limited to, advertising, marketing, promotion, publicity, or solicitation without</p>	
<p>afforded to the Government by any other clause of this contract. Contractor agrees to pass through all warranties from other manufacturers.</p> <p><b>6. TITLE</b> - Unless otherwise specified in this contract, title to items furnished under this contract shall pass to the SI upon acceptance, regardless of when or</p>	<p>order. Contractor shall not make any changes without the written consent of the SI authority executing this purchase order.</p> <p><b>12. DISCLOSURE</b> - Information relating to this purchase order shall only be used by the Contractor or subcontractor solely for the performance of this</p>

# Investigations

During the last two reporting periods, we received 94 complaints, reflecting an upward trend that began in the previous semiannual period and that we believe stems from our increased outreach to the Smithsonian community (see below). From the 46 complaints we received this period, we opened 3 cases. We also closed 64 complaints and 3 cases, resulting in two terminations, one resignation, one reprimand, and one suspension.

Following are summaries of significant investigations we closed in the last six months.

## **Fraud and Abuse of Authority**

OIG substantiated allegations that a manager who had been with the Institution for over 20 years had engaged in time and attendance fraud and abuse of authority. We found that the manager left work for several hours each week without taking leave; had been personally involved with a subordinate; had worked unwarranted overtime; and misused Institution resources and property. Furthermore, the manager failed to remain impartial in dealing with a sexual harassment complaint, and made false statements to OIG during the investigation. As a result of this investigation, the manager was terminated. (As we had reported in our prior semiannual report,<sup>4</sup> the manager's supervisor, who had been aware of much of the manager's conduct, retired in lieu of being demoted.)

## **Fraudulent Use of Government Purchase Card**

OIG substantiated allegations that an employee who had been with the Institution for over 20 years had charged over \$1,500 to a Smithsonian purchase card for a personal household goods move and had also used the Institution's Federal Express account for personal use. The employee also initially made false statements to management and to OIG regarding the charges. As a result of this investigation, the employee received a three-day suspension.

## **Misrepresentation**

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<sup>4</sup> See our March 31, 2009 Semiannual Report, p. 23.

OIG substantiated an allegation that a Smithsonian employee had retired with a medical disability from another employer, a disability that disqualified the employee from that employee's current position. Moreover, the employee had failed to divulge that information to the Institution when applying for employment. The employee resigned before action could be initiated.

## **Time and Attendance Fraud**

OIG substantiated allegations that an employee who had been with the Institution for several years had engaged in time and attendance fraud by routinely submitting overtime claims that overlapped with the employee's regular hours. In addition, the OIG found that the employee misused Institution resources and property and made false statements to the OIG. As a result of this investigation, the employee was terminated.

In a separate matter, the OIG substantiated that a manager who had been with the Institution for 24 years had directed that all day-shift employees in a particular unit receive premium pay, even when they did not earn that pay, and certified those records as correct. Management stated that the mistake was a misunderstanding and corrected the erroneous entries.

In yet another matter, the OIG substantiated allegations that a senior manager who had been with the Institution for over 30 years had transferred another employee from a position that was entitled to premium (night differential) pay to a day-shift administrative position, yet continued to certify premium pay for that employee. As a result of this investigation, the manager received a reprimand.

## **Failure to Protect Sensitive Information**

OIG substantiated an allegation that one of the information systems used by the Institution did not properly mask identifying numbers. The Office of the Chief Information Officer is addressing the issue to protect that sensitive information.

## **Davis-Bacon Act Violations**

We reported in an earlier Semiannual Report ([April 2008, p. 24](#)) on a joint investigation with the Department of Labor OIG of contractor violations of the Davis-Bacon Act. In addition to the over \$113,000 in recovery to the employees who had been underpaid, as reported then, the violating firm also entered into an agreement to be debarred from federal government and District of Columbia contracts for three years.

\* \* \* \* \*

The following table summarizes complaint activity for this reporting period.

**Table 6: Summary of Complaint Activity**

Status	Number
Open at the start of the reporting period	46
Received during the reporting period	46
Subtotal	92
Closed during the reporting period	64
Total complaints pending	28

The following table summarizes investigative activity for this reporting period.

**Table 7: Summary of Investigative Caseload, Referrals,  
and  
Results**

Investigations	Amount or Number
<b>Caseload</b>	
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	3
Cases carried forward	4
<b>Referrals for Prosecution</b>	
Pending at the beginning of the period	3
Referred for prosecution	0
Pending at the end of the period	1
<b>Successful Prosecutions</b>	
Convictions	0
Fines	\$0
Probation	0
Confinement	0
Monetary Recoveries and Restitutions	\$0
<b>Administrative Remedies</b>	
Terminations	2
Resignations	1
Reprimands or admonishments	1
Reassignments	0
Demotions	0

Suspensions	1
Monetary loss prevented	\$0
Funds Recovered	0
Management Advisories	3

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## Other Investigative Activity

### Fraud Awareness Program

OIG Special Agents continue their proactive measures to increase awareness by participating in every new employee orientation held by the Institution, which occur bi-weekly. During this semiannual period, OIG Agents presented “Introduction to the OIG and Fraud Awareness” sessions to 238 new Smithsonian employees. They continue to find that a vast majority of new employees were unaware of the functions and responsibilities of the Office of the Inspector General, and their participation in these training sessions has increased our office’s visibility and profile within the Institution. OIG agents also made a tailored presentation to the 32 new Institution security officers at their Basic Entry Level Training, and will make similar presentations at future training classes for security officers.

In addition, we expanded our efforts to include presentations to museum, research, and curatorial staff of the Institution. During this period, OIG Agents presented two of these sessions to an additional 72 employees at the National Museum of Natural History.

### Involvement with Other Organizations

OIG Agents remain actively involved with the Washington Area Fraud Task Force. OIG Agents also participated in the Interagency Investigative Data Mining Working Group, the Procurement Fraud Working Group, the Misconduct in Research Working Group, the Metro Area Fraud Task Force, the Security Association of Financial Institutions workgroup, and eBay/PayPal Law Enforcement Training.

#### ***Impact on Institution Policies***

*During the course of our investigations concerning time and attendance fraud, OIG investigators noted a lack of accountability related to time and attendance recordkeeping as well as management procedures that were inconsistent with established regulations and policy. Specifically, we found that some units were allowing subordinates to certify supervisors’ time and attendance records and that supervisors failed to conduct adequate oversight. As a result, the Institution incurred unwarranted costs and created an appearance of favoritism and impropriety in these units.*

*Partly in response to our observations, the affected units strengthened their time and attendance policies and increased awareness and*

# Other OIG Activities

## Congressional Liaison

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

We completed our review of the Smithsonian Institution's Implementation of the Networks Contract, which we performed at the request of the House of Representatives Committee on House Administration. (See p. 4, above.)



## 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 and with an eye toward promoting economy, effectiveness, efficiency, and preventing fraud, waste, abuse and mismanagement.

During this period, IG Counsel, working with counsel from other Inspector General offices across the federal government, monitored and commented on a number of bills stemming from the Inspector General Reform Act of 2008 and a number related to congressional efforts to strengthen federal protections for whistleblowers.

Back cover: Ken Lang, Mammal Unit Supervisor at the National Zoological Park's Conservation Resource Center (CRC) in Front Royal, Virginia, holds a male clouded leopard cub born July 9, 2009, to mother Jao Chu. It was her third cub this year. This genetically valuable cub will increase the gene diversity of the North American Clouded Leopard Species Survival Plan. Clouded leopards, native to Southeast Asian forests, are vulnerable to extinction. Since 1978, more than 70 clouded leopards have been born at the CRC.

On July 9 and 10, 2009, there were three births of endangered animals at the CRC. In addition to the clouded leopard cub, a Przewalski's horse foal and a red panda cub were born. Przewalski's horses are extinct in the wild. It is estimated that fewer than 2,500 red pandas remain in the wild.

Image credit: Meghan Murphy, Smithsonian National Zoological Park



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