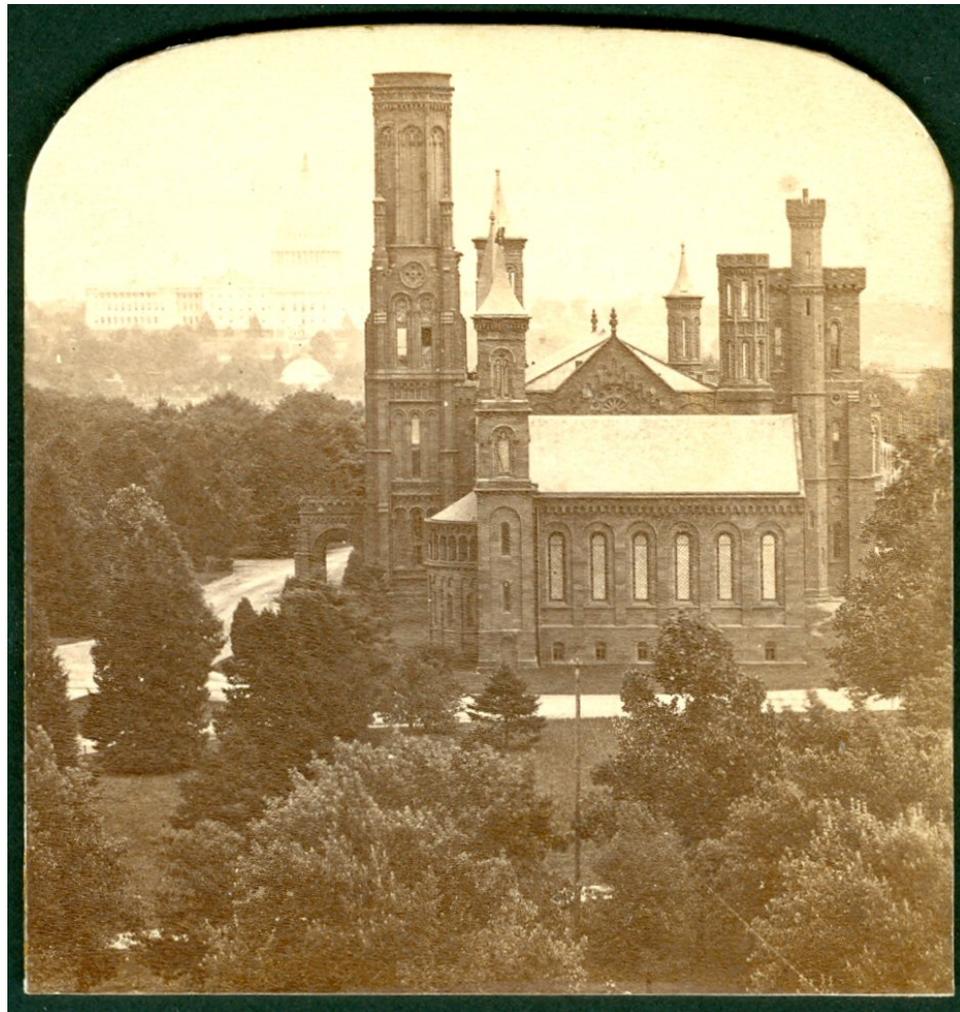


SEMIANNUAL REPORT TO CONGRESS

April 1, 2010 to September 30, 2010



Smithsonian Institution
Office of the Inspector General

Cover image: Half-frame of a stereoview of the Smithsonian Institution Building, known as the Castle, circa 1875. ***Image credit: Castle Collection, SI.1984.002***

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This 1913 photographic postcard from the collection of the National Postal Museum shows an unidentified mail contractor and his dog sled team at rest while moving a load of mail between Seward and Susitna, Alaska.

Image credit: Louis Pedersen

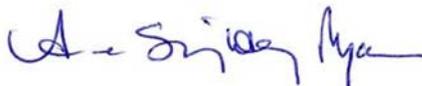
Message to Congress

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, 2010. It highlights our efforts to improve the economy, efficiency, and effectiveness of Smithsonian Institution programs and operations, and to prevent and detect fraud, waste, and abuse.

We accomplished a substantial amount of audit work during this semiannual period. We issued one audit and one management advisory and we completed a pre-award contract audit in which we questioned \$1.7 million in costs. We also issued three additional draft audit reports. The Institution generally accepted our audit findings and recommendations. It also implemented or planned actions to resolve many open recommendations, including measures that will strengthen privacy protections and that will improve controls over personal property, two areas of particular concern that we have been monitoring. On the investigative side, we received 53 new complaints, and closed 35 complaints.

Our oversight continues to focus on governance and on stewardship. We are closely following the recently launched “Smithsonian Redesign” project, whose goal is a “more efficient, transparent, and nimble institution” to implement the 2010-2015 Strategic Plan. Our current and planned work will help advance these important redesign efforts, especially in the areas of finance, procurement, goal-setting, metrics, and external funding. Finally, we continue to focus on the stewardship of the collections, which are so central to the mission of the Smithsonian.

We appreciate the cooperation of Smithsonian management and Secretary Wayne Clough, and the ongoing interest of the congressional committees with whom we work. We also thank the Board of Regents and especially the Audit and Review Committee for their support.



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, culture, 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.

Smithsonian Institution Strategic Plan

http://www.si.edu/about/documents/SI_Strategic_Plan_2010-2015.pdf

In September 2009, the Board of Regents approved the Smithsonian's strategic plan for fiscal years (FYs) 2010-2015. The plan sets forth the Institution's mission, vision, and values, as well as the following priorities

- 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

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."

Smithsonian Redesign

The Smithsonian launched an effort called "Smithsonian Redesign" to enhance the efficiency and transparency of systems the Institution uses to manage its resources. This project includes pan-institutional, cross-disciplinary committees to address areas such as finance, goal-setting and budget development, procurement, sponsored projects, federal hiring, and metrics, with a focus on the relationship between central management and management at the individual museum, research, and other units. These committees will develop recommendations to streamline and improve these processes and thus help implement the Strategic Plan.

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 1 part-time employees, with 2 vacancies that we are in the process of filling.

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, eight 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. Three Special Agents, with full law enforcement authority, make up the Investigations Division; one of these positions is currently vacant.

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 strategic plan: *excellence* and *integrity*, and 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 1 audit report, 1 pre-award audit of an architect and engineering services contract; 1 management advisory, and 1 survey memorandum; worked with management to close 32 recommendations from previous and current audits; and completed substantial work on ongoing audits.

Audit and Review Accomplishments

Performance Audits and Reviews

During this period, we issued 1 performance audit report, 1 management review report and 1 survey memorandum. We also conducted a pre-award audit of a contract. Finally, we completed our oversight of the Smithsonian's use of Recovery Act funds and recipient reporting.

Information Security Audits: Federal Information Security Management Act

<http://www.si.edu/oig/AuditReports/TBA-0911.pdf>

Information Security Practices

Under the Federal Information Security Management Act of 2002 (FISMA), the Office of the Inspector General conducts an annual independent assessment of the Smithsonian Institution's information security controls. As part of that assessment, FISMA requires a review of the Institution's Security Management Program and an evaluation of associated management, operational and technical security controls. An independent auditor conducted this review on our behalf.

During this semiannual period, we completed our annual evaluation of the Institution's overall information security program and practices to determine their effectiveness, as required by FISMA. While the Institution has made progress in complying with information security requirements, additional work remains to ensure adequate controls are in place and operating effectively.

During the past year, the Office of the Chief Information Officer (OCIO) made improvements to strengthen their information security program. Specifically, OCIO:

- Enhanced the tracking of Certification and Accreditation (C&A) artifacts, Plans of Actions and Milestones, and quarterly compliance via a FISMA scorecard.
- Improved security training by reviewing security program practices with Senior Executives and Management staff, and by conducting risk management briefings with Mission and System Sponsors.
- Improved all major systems security plans and clarified C&A boundaries.
- Developed a standardized Security Test and Evaluation (ST&E) Plan and a Security Assessment Reporting (SAR) format across all major systems to include clear identification of inherited common controls unique to each system.



Grace Murray Hopper at the UNIVAC keyboard, c. 1960. Grace Hopper was a mathematician and a rear admiral in the U.S. Navy who was a pioneer in developing computer technology, helping to devise UNIVAC I, the first commercial electronic computer, and naval applications for COBOL (common-business-oriented language). She is also credited with popularizing the term "debugging" for fixing computer glitches. *Image credit: Unknown*

However, we identified one key objective that we believe management had not substantially completed. We recommended reassessing the security categorization for major systems currently categorized as low-impact systems, based on the type of personally identifiable information stored in the system. These systems should either be reclassified as moderate or the security categorization should be revised to include adequate justification for classifying the system as low-impact.

We also recommended that computer security incidents be reported to the United States Computer Emergency Readiness Team (US-CERT) within the required timeframe of the type of incident and that all interconnections have signed agreements prior to implementation.

Management concurred with our findings and recommendations and has planned actions that will resolve all our recommendations.

Oversight of the Smithsonian's Use of Recovery Act Funds and Monitoring of Recipient Reporting

The Smithsonian received \$25 million under the American Recovery and Reinvestment Act of 2009 (Recovery Act) 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.

The Smithsonian has worked diligently over these past 17 months to ensure that Recovery funds were obligated by the deadline; contracts remained on budget and were completed timely; and all recipients reported to Recovery.gov. Smithsonian management was responsive to problems identified by the OIG and responded immediately to issues raised.

The Smithsonian obligated 100 percent of its Recovery Act funds by the September 30, 2010 deadline. The Smithsonian awarded 23 contracts, and has closed 12 contracts with another seven contracts substantially complete (awaiting final billing). Two contracts will carry forward to March 2011 and these contracts have less than \$300,000 left to spend (or about 1% of the total Recovery Act funds received). Therefore, we are pleased to report that the projects are substantially complete. We have concluded that oversight of the Smithsonian's use of Recovery Act funds is no longer necessary, and the Recovery, Accountability, and Transparency Board agreed.

Fiscal Year 2011 Audit Plan

In September 2010, we published our fiscal year 2011 Audit Plan, which is available on our website, <http://www.smithsonian.org/oig>. In selecting audits, we took 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. We believe that performing these audits will help fulfill our responsibility to keep the Board of Regents, Smithsonian management, Congress and the public informed of the successes and shortcomings of key Smithsonian operations.

Our planned audits for fiscal year 2011 fall into three categories. First are audits carried over from FY 2010, which we described in detail in our FY 2010 Audit Plan. Second are three mandatory sets of audits: (1) the annual audits of the Smithsonian's financial statements, which we oversee; (2) the annual reviews under the Federal Information

Security Management Act, which we also oversee; and (3) an audit of the travel expenses of members of the Board of Regents, conducted at their request to fulfill a statutory requirement.

The third category comprises audits we selected after considering the key ongoing and emerging risks facing the Smithsonian and after consulting with stakeholders throughout the Institution. These audits will address:

- Smithsonian Enterprises Financial Management Operations
- Office of Sponsored Project Operations
- Use of Social Media
- Safety Programs
- Collections Stewardship at the Cooper-Hewitt, National Design Museum
- Center for Folklife and Cultural Heritage Financial Operations
- Disaster Preparedness
- Implementation of Internal Controls Improvements
- Employee Travel Expenses
- Annual Reporting on Operational and Strategic Goals
- Effectiveness of the Recent Buyout

* * * * *

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

Table 1: List of Issued Audit Reports and Reviews

Report Number	Title	Date Issued
A-09-11	Fiscal Year 2009 FISMA Audit of the Smithsonian Institution's Information Security Program	6/30/2010
M-10-06	Management Advisory Regarding Segregation of Duties	7/14/2010
C-10-01	Pre-award Audit of Architect and Engineering Services Contract for the National Museum of African-American History and Culture	9/21/2010

Other Audit Activity

Status of Recommendations

Smithsonian management made significant efforts to implement the recommendations from audit reports we issued during this and prior semiannual reporting periods. As a result, we closed 32 recommendations during the past six months. Implementation of these recommendations strengthened internal controls, information technology security, revenue-generating activities, and program management.

We were especially pleased that management took action to close two of the oldest recommendations, from two audits we issued in 2004. As a result, management now has written contracting procedures for revenue-generating contracts that will strengthen the control environment, providing the Smithsonian the opportunity to improve both contractor selection and monitoring.

In addition, management implemented recommendations that:

- Improved segregation of duties in a collections management system
- Remediated security weaknesses in several major applications
- Resulted in closer adherence to the Smithsonian's certification and accreditation policies and procedures
- Strengthened inventory procedures at the National Air and Space Museum
- Improved physical security at the National Air and Space Museum by strengthening internal controls over keys, including through more robust exit clearance procedures
- Created the position of and responsibilities for a Privacy Officer, the Smithsonian equivalent of Senior Agency Official for Privacy, and filled the position

OIG Impact – Strengthened Exit Clearance Process

One of our recommendations in our audit of collections security and inventory controls at the National Air and Space Museum (see our April 2010 Semiannual Report, p. 8), was that management should revise exit clearance procedures to ensure that all exiting employees return keys to the appropriate Security Managers.

In June 2010, the Office of Protection Services, working with the Office of the Comptroller and the Office of the Chief Information Officer, tightened procedures for exit clearances Smithsonian-wide to ensure that departing employees properly return Smithsonian credentials and keys, ensuring greater accountability and protection of Smithsonian premises.

Table 2 summarizes audit recommendation activity.

Table 2: Audit Recommendation Activity

Status of Recommendations	Numbers
Open at the beginning of the period	77
Issued during the period	<u>3</u>
Subtotal	80
Closed during the period	<u>32</u>
Open at the end of the period	<u>48</u>

Tables 3 and 4 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	\$5,573	\$0
Reports issued during the reporting period	0	\$0	\$0
Subtotal	0	\$0	\$0
Reports for which a management decision was made during the reporting period			
• Dollar value of disallowed costs	1	\$5,573	\$0
• Dollar value of costs not disallowed	0	\$0	\$0
Reports for which no management decision has been made by the end of the reporting period	0	\$0	\$0
Reports for which no management decision was made within 6 months of issuance	0	\$0	\$0

Table 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	\$6,029,276
Reports issued during the reporting period	1	\$1,736,541
<i>Subtotal</i>	2	\$7,765,817
Reports for which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management	1	\$ 281,837
• Dollar value of recommendations that were not agreed to by management	1	\$ 489,659
Reports for which no management decision has been made by the end of the reporting period	1	\$1,736,541
Reports for which no management decision was made within 6 months of issuance	1	\$5,257,780

While management made progress in closing old recommendations, 46 recommendations we made in prior semiannual periods, primarily related to information security, remained open at the end of this reporting period. Of those recommendations, 7 are over 3 years old, 10 are over 2 years old, 18 are over 1 year old, and the remaining 11 are less than 1 year old. We summarize these open recommendations from prior semiannual periods and their target implementation dates in Table 5.

OIG Impact – More Robust Personal Property Management

Since we issued our audit on personal property accountability last year (see our April 2010 Semiannual Report, p. 4), we have been urging management to strengthen controls over Smithsonian personal property, and in particular to hold individuals accountable for missing and lost items.

The three Smithsonian Under Secretaries recently reminded all Smithsonian Directors of the financial and ethical ramifications involved and asked them to make their staffs aware of their responsibilities. The Under Secretaries followed up with a Smithsonian-wide announcement to all staff, reminding them of their responsibilities and their accountability for Smithsonian-owned personal property.

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

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
FY 2006 FISMA Review of the Smithsonian Institution's Information Security Program (4/20/2007)	1	The CIO should establish procedures to ensure existing policies requiring the use of standard baselines are implemented and enforced.	12/15/2010
FY 2006 Smithsonian Institution Network (SINet) Audit (8/10/2007)	1	The CIO should enforce separation of duty controls noted in the SINet system security plan.	10/15/2010
Friends of the National Zoo Revenue Operations (8/28/2007)	2	The Executive Director of FONZ should 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.	12/31/2010
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.	9/15/2010 to 10/15/2010
FY 2007 FISMA Audit of the Smithsonian Institution's Information Security Program (3/31/2008)	1	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.	12/15/2010
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 document deviations from the baseline.	6/30/2011
Smithsonian Astrophysical Observatory Scientific Computing Infrastructure (9/30/2008)	8	The Director of the Smithsonian Astrophysical Observatory should logically segregate public-facing SAO websites; 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; research tools that will enable automatic review of account activity or identify compensating controls; and provide security awareness training to all staff within 30 days of hire. 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 timely implement NIST, OMB, and Smithsonian requirements.	7/15/2009 to 12/15/2010

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
NMNH EMu Application (10/7/2008)	2	The CIO should ensure all individuals who have direct access to Institution information system resources 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.	12/15/2010
FISMA Audit of the Smithsonian Institution's Information Security Program (3/17/2009)	5	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; ensure the training is available; and enforce the requirement that all employees, contractors, volunteers, visiting scholars, and interns complete the training. The CIO should ensure the implementation of FDCC requirements across all Institution domains and document any deviations; and identify and complete risk assessments for all Institution public websites that use e-authentication.	9/30/2010 to 12/31/2011
Administration of the Workers' Compensation Program (3/24/2009)	2	The Under Secretary for Finance and Administration should develop and implement an Institution-wide return-to-work program; and incorporate a return-to-work component in OHR workers' compensation training for supervisors.	12/31/2010 to 2/28/2011
Smithsonian Institution Privacy Program (5/29/2009)	9	The SAOP and the Chief Information Officer (CIO) should develop, document, and implement privacy policies and procedures to support an overall privacy program that adequately addresses privacy-related risks. The Director of the Office of Protection Services should develop and implement an annual privacy-training program and require all Smithsonian employees and contractors to complete the training. The SAOP should develop, document, and implement policies and procedures for identifying, documenting, and safeguarding PII used by the Smithsonian; establish and implement requirements to reduce holdings of PII; and develop, document, and implement procedures for privacy impact assessments (PIAs).	9/30/2010 to 3/15/2012
Personal Property Accountability (11/18/2009)	6	The Under Secretaries should strengthen adherence to personal property management policies and procedures by conducting regular compliance reviews, including ensuring that individuals are being held accountable for missing property; evaluate whether the Smithsonian could more cost-effectively record and track property issuance to individuals; require and offer personal property training for property custodians; reevaluate its criteria for designating property as sensitive; and immediately evaluate whether mitigating controls to protect sensitive information could be implemented prior to the 2012 PII inventory.	11/30/2010 to 12/31/2012
Physical Security and Inventory Control Measures to Safeguard the National Collections at the National Air and Space Museum (3/17/2010)	5	The Director of the Office of Protection Services should conduct security assessments of NASM facilities and develop a plan to acquire missing security devices; finalize and issue the OPS Collections Management Security Standards; re-emphasize OPS requirements for security managers to review Key Holder List information semiannually, verify its accuracy and take appropriate corrective actions; improve security system reports; and provide training to Security Managers on how to produce and interpret reports from the security systems and ensure that Security Managers alert TSD to system problems.	9/30/2010 to 12/31/2011

Work in Progress

We have a number of audits and reviews in progress, including those we describe below.

Acquisition Workforce Training

Regents' Governance Recommendation 23 highlighted the Institution's need for increased monitoring of and training for contracting personnel to improve the Institution's internal controls. In FY 2008, the Office of Contracting and Personal Property Management (OCON & PPM) processed about 1,276 actions totaling over \$209 million, approximately 28% of the federal funds appropriated to the Smithsonian that year. A significant amount of OCON and PPM's contract activity is for specialized services such as Architect and Engineering, Construction, and Information Technology. These types of services require unique contracting expertise.

With those considerations in mind, we conducted an audit of acquisition workforce training at the Smithsonian. We assessed (1) whether policies and procedures exist that specify responsibilities for contracting personnel (specifically, contracting officer's technical representatives and contracting officers); (2) whether contracting personnel are meeting Smithsonian-specified training and certification requirements; and (3) whether Smithsonian acquisitions comply with applicable laws and regulations.

We completed our field work over the summer. As noted in the following section entitled "Management Advisories," we issued two ancillary reports stemming from this audit: our Management Advisory on Segregation of Duties issues, and the full results of our extensive survey of those who make up the acquisition workforce.

Just prior to the close of the semiannual period, we issued the formal draft of the audit for management comment. We issued the final report on October 28, 2010.

Collections Stewardship at the National Museum of American History

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.



Telephones in the Electricity collection of the National Museum of American History.

Image credit: Brendan Phillips

We initiated this audit to examine collections management, which is essential for safeguarding the collections for public and scholarly use and reducing the risk of loss or theft. It is part of our ongoing series of audits addressing weaknesses in physical security and inventory controls for the national collections. With this audit we have expanded our objectives to include an assessment of the preservation of the collections, which we believe is in keeping with the Institution's strategic plan priority to strengthen collections. 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.

Our objectives in the audit are to assess (1) whether physical security is adequate to safeguard the collections, (2) whether collections are properly preserved, and (3) whether inventory controls are in place and working adequately to ensure that the collections are properly accounted for in compliance with Smithsonian and museum collections management policies and procedures.

We have divided this audit into two and will issue two separate reports. Just prior to the close of this semiannual period, we issued a draft of the first report, which covers the third objective. We will issue the final report on this objective before the end of the calendar year. Our field work continues on the first two objectives, and we hope to issue the report covering the remaining two objectives before the end of the next semiannual period.

Collections Accessioning at the National Museum of Natural History

Accessioning is the formal process of legally acquiring and adding an item or group of items to a museum's collection with the intention of retaining them for an indefinite period. We initiated this audit because previous audits we have done on collections management and an internal Smithsonian report on collections care have found that at some Smithsonian museums, collections management needs outweigh collections management resources. Furthermore, the Smithsonian has identified strengthening collections as one of the six strategic priorities in its strategic plan.



A workstation in the National Museum of Natural History's Department of Entomology where volunteers pin and label backlogged accessioned specimens for use by researchers.

Image credit: Mary Stevens

Because each of the Smithsonian's 21 collecting units acquire and accession collections independently and maintain separate collections management policies and procedures, we limited our audit to one museum. We selected NMNH because this museum's nearly 800 acquisition transactions in fiscal year (FY) 2009 totaling more than 114,000 items (objects or specimens) represent 51 percent of the Institution's acquisition transactions and 91 percent of the collection items the Institution acquired during the year. Furthermore, the museum's approximately 126 million collection items, as of the end of FY 2009, constitute more than 92% of the Institution's collections.

Our objectives are to assess whether NMNH followed the Institution's and museum's collections management policies and procedures. Specifically, we are determining whether NMNH had effective controls in place to (1) align its collecting activities with collecting goals; (2) accession items in a timely manner; and (3) comply with applicable laws and regulations. Our intent for the first objective was to address the risk that NMNH may acquire and accession items that are not aligned with its collecting goals and priorities, thereby diverting its limited resources away from managing important collections.

We issued a draft of this audit just prior to the close of this semiannual period. We will issue the final report before the end of the calendar year.

Financial Management Operations at Smithsonian Enterprises

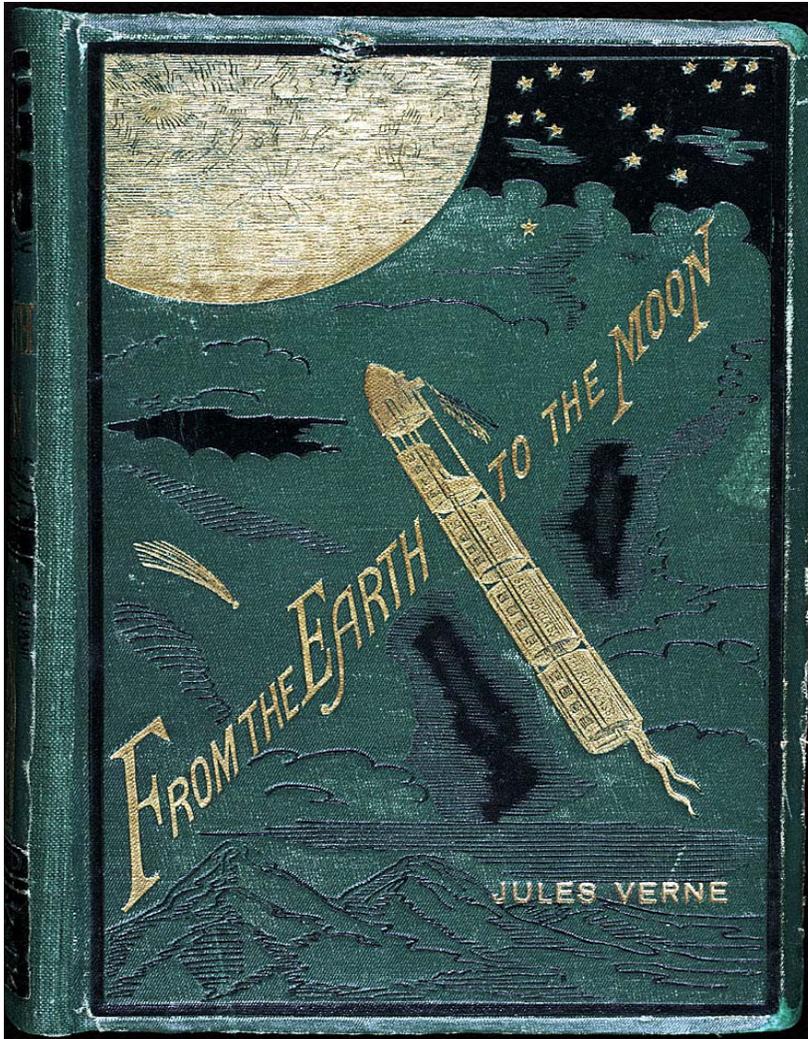
Smithsonian Enterprises (SE) comprises the majority of the revenue-generating functions of the Smithsonian Institution and is its most significant source of unrestricted funds. It operates four principal business activities: Smithsonian Magazine; museum stores and concessions; mail order catalogues; and product development and licensing.

Although SE has obtained clean audit opinions from external auditors, internal and external stakeholders have expressed concern about SE's internal financial reporting operations, including skepticism over the reliability, timeliness, and transparency of accounting data. There is also a concern about internal financial policies and unclear roles and lines of authority, as well as high employee turnover in financial management. There have also been significant changes in internal cost allocations and in how SE determines and accounts for museums' revenue shares. SE management has indicated that they have developed a plan to address many of these issues and that it is driving accountability for financial data down to all levels of the organization.

In this audit, we are assessing Smithsonian Enterprises financial management operations. We will examine whether the SE Office of the Chief Financial Officer (1) has collaborated with division management to accurately and timely report financial data, (2) provided transparent accounting services to museum partners, and (3) established clear roles, responsibilities, and lines of accountability. We will also assess employee morale as it relates to financial management operations. We hope to make recommendations to improve the reliability, efficiency and transparency of SE's financial management operations.

Review of the Smithsonian Institution's Information Security Program

To fulfill our responsibilities under the Federal Information Security Management Act (FISMA), the Office of the Inspector General has engaged an independent audit firm to review the Smithsonian Institution's information security program. FISMA requires that the OIG perform an independent annual evaluation of the Institution's information security program and practices, including testing and evaluating controls that safeguard information and systems. Through the independent contractor, we are conducting our annual evaluation of the effectiveness of the Smithsonian's information security and privacy programs. This year, we are including Smithsonian Enterprises in our review.



Front cover of an 1874 Jules Verne book, from the Smithsonian Institution Libraries' National Air and Space Museum Collection. **Image credit: Smithsonian Institution Libraries, SIL28-090-01**

OIG Impact – Strengthened Protections for Privacy Information

In our 2009 audit of the Institution's privacy program (see our October 2009 Semiannual Report, p. 12), we found that the Smithsonian needed to significantly improve its identification, collection, processing and safeguarding of sensitive personally identifiable information, or PII. Among our recommendations were that the Institution define the responsibilities of a senior privacy official, implement a comprehensive privacy program, and alert staff to the importance of protecting PII.

Over the last several months the Institution has taken important steps to implement our recommendations. Management issued a new Smithsonian Directive, Privacy Breach Notification Policy, in July 2010, stressing the importance of protecting PII, and distributed to all personnel. Management also added language to the warning banner on the Institution's time and attendance system noting that those using the system must protect PII, not disclose it, and properly dispose of any media with PII.

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 one management advisory as well as the results of a survey. Both of these reports grew out of our audit of Smithsonian Acquisition Workforce Training (described above, in Work in Progress).

Segregation of Duties

In reviewing acquisitions under \$100,000, we identified transactions that occurred without appropriate segregation of duties. Specifically, for fiscal year 2009, we found no segregation of duties for approximately 6 percent of these acquisitions (in terms of dollar value). In those instances, the same individual had entered, approved, and budget-checked the purchase order. The form people use to obtain access to the financial system for purchasing states that there must be segregation of duties. However, there was no automated means to prevent users from performing all these roles or to detect those who may have, so we did not find these to be adequate compensating controls.

We recommended that the Chief Financial Officer review and analyze purchase orders where segregation of duties was lacking and take additional steps to help mitigate this problem in the future. Management agreed with our findings and agreed to revise the policies to better delineate purchase roles; revise financial system permissions and institute a formal waiver process where segregation is not feasible; and review a sample of transactions where there was no segregation of duties to insure they were all proper.

Survey of Acquisition Workforce

We conducted a survey in April 2010 to evaluate the Smithsonian acquisition workforce's confidence in their procurement roles and interest in further training. We provided the complete survey results (redacted to protect the identity of the respondents) to management, as well as a summary in the final audit report, hoping the detailed information will help management update Smithsonian policy and focus its training resources.

Investigations

During the last two reporting periods, we received 107 complaints, reflecting an upward trend that we believe stems from our increased outreach to the Smithsonian community (see below). We closed 35 complaints, resulting in one reprimand.

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

Loss of Collection Items

We conducted an inquiry into the loss of two collection items from a Smithsonian museum. Both items were of minimal value and historical significance. Because staff did not practice sound inventory practices while handling these items, and because the security in these areas was weak, our inquiry could not determine if the items were lost, misplaced, disposed of, broken, or stolen.

We forwarded a report to management with our analysis and conclusions. As a result, the museum improved the physical security in an area of the museum and has tightened controls over collections handling. Administrative action against an employee is pending.

Misuse of Government Vehicle

A Smithsonian employee gave a tip through the OIG Hotline that a Smithsonian vehicle was parked in a local grocery store lot on a Sunday afternoon. We followed up with management, who determined that an employee had taken the vehicle for personal use. Management reprimanded the employee and suspended that employee's driving privileges indefinitely.

* * * * *

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	25
Received during the reporting period	53
Subtotal	78
Closed during the reporting period	35
Total complaints pending	43

The following table summarizes investigative activity for this reporting period.

Table 7: Summary of Investigative Activity

Investigations	Amount or Number
Caseload	
Cases pending at beginning of reporting period	6
Cases opened during the reporting period	0
Subtotal	6
Cases closed during the reporting period	0
Cases carried forward	6
Accepted for Prosecution	
Pending at the beginning of the period	1
Accepted during the period	0
Pending at the end of the period	1
Successful Prosecutions	
Convictions	0
Fines	0
Probation	0
Confinement	0
Monetary Recoveries and Restitutions	0
Administrative Remedies	
Terminations	0
Resignations	0
Reprimands or admonishments	1
Reassignments	0
Demotions	0
Suspensions	0
Monetary loss prevented	0
Funds Recovered	0
Management Advisories	0
Collection Items Recovered	0

Other Investigative Activity

Fraud Awareness Program

Presentations on fraud awareness throughout the Institution are a cornerstone of our efforts to prevent and detect waste, fraud and abuse and promote economy, efficiency and effectiveness at the Smithsonian.

OIG Special Agents continue to make these presentations at new employee orientations held by the Institution, which occur bi-weekly. As a result, during this period OIG Agents presented an “Introduction to the OIG and Fraud Awareness” session to approximately 325 new employees during orientation. We made similar presentations to 33 employees at two Smithsonian units in New York City, as well as a specialized session to 50 Office of Protection Services employees during their initial training as security officers.

Involvement with Other Organizations

OIG Agents became members of the steering committee for the Interagency Fraud Risk Data Mining Group that assists other OIG offices and similar offices in identifying systemic fraud and other risks through automated techniques. OIG agents have also joined other OIG agents in a workgroup sharing information on investigations of funds involving the American Recovery and Reinvestment Act. OIG agents remain actively involved with the Washington Metro Electronic Crimes Task Force. OIG agents also participated in the Procurement Fraud Working Group, the Misconduct in Research Working Group, the Metro Area Fraud Task Force, and the Security Association of Financial Institutions workgroup.

Other OIG Activities

Congressional Liaison

We continue to meet 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 responded to Representative Issa's request for information about open and unimplemented IG recommendations. We responded to Senator Grassley and Representative Coburn's request to be advised immediately if any federal official threatens or otherwise attempts to impede our ability to communicate with Congress. We also responded to their request for information about any instances where the Institution resisted or objected to our oversight or restricted our access to information, as well as provided them information on closed IG investigations and audits that we did not publicly disclose.



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, we reviewed and commented on several draft policies by the Office of the Chief Information Officer, including its ***Management of Builds, Computer Security Incident Response Plan*** and ***Desktop and Laptop Naming Conventions*** draft policies, as well as Smithsonian Directive 940, ***Acquisition of Information Technology Products***.

We also provided comments on the Office of Safety, Health and Environmental Management's draft policy on ***Reporting Safety and Health Hazards*** to ensure that our office receives allegations of safety violations and of reprisals against whistleblowers.

We also commented on and helped draft a portion of the new ***Executive Orientation Handbook***, a summary of the Institution's critical ethics and conduct rules and internal controls expectations that will be provided to all directors and executives at the Institution.

During this period, the Counsel to the Inspector General, working with counsel from other Inspector General offices across the federal government, also monitored and commented on a number of congressional bills relating to the Inspector General community.

Other Inspector General Activities

During this period, the Inspector General gave presentations on two different panels. She was a member of the panel that discussed how to craft audit recommendations at the 2010 Conference of the Council of Inspectors General on Integrity and Efficiency. At the National 2010 Archives and Records Conference (the joint meeting of the Council of State Archivists, National Association of Government Archives and Records Administrators, and Society of American Archivists), she spoke on how to approach a loss or theft of holdings as part of a panel on security challenges faced by archives and records repositories.

The Inspector General also continues to serve on the Integrity Committee of the Council of Inspectors General on Integrity and Efficiency, which receives and reviews allegations of misconduct against federal Inspectors General and senior Inspector General staff.

Electronic Workpaper System

During the semiannual period, the Office of the Inspector General electronic workpaper system was authorized for operation. By easing supervisory review and maintaining all important audit-related documents in an organized, searchable database, the electronic workpaper system will introduce a number of improvements to the OIG's audit process that should result in greater efficiency and higher quality audits.

Peer Review

http://www.si.edu/oig/AuditReports/Smithsonian_OIG_Peer_Review.pdf

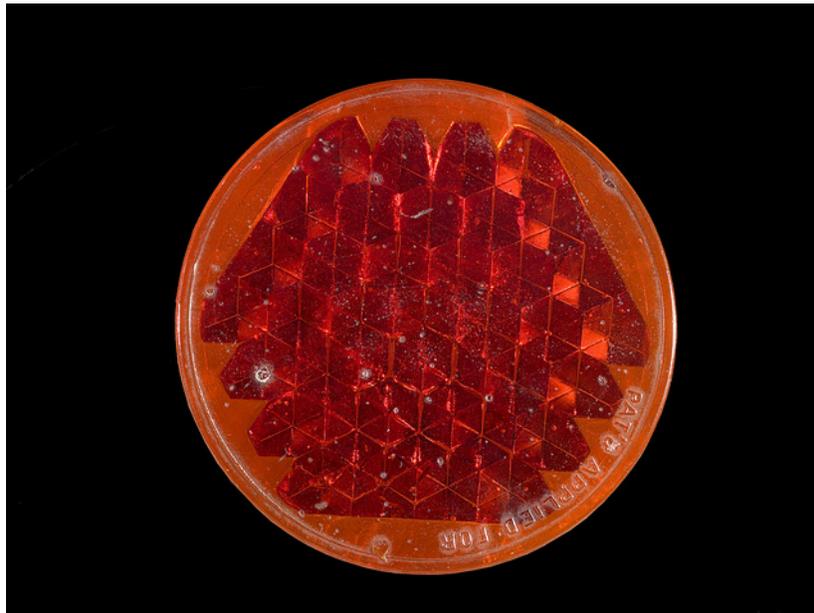
Government Auditing Standards require audit organizations to undergo external peer reviews by independent reviewers every three years. Our most recent peer review, conducted by the Office of the Inspector General for the Federal Reserve Board and issued in December, 2008, concluded that our quality control system was designed to meet government auditing standards, and complied with those standards, for the 14-month period ending May 31, 2008. We have addressed the three findings from the review.

Our next peer review will be for the period ending March 31, 2011.



Over 50 black-footed ferret kits have been born this year at the Smithsonian's Conservation Biology Institute, the Smithsonian National Zoo's facility in Front Royal, Virginia. **Image credit: Meghan Murphy**

Back cover: A Stimson Safety Reflector. Jonathan Cass Stimson invented and marketed safety reflectors for vehicles and road signs. The cube-shaped indentations reflected light from any direction. In a special ceremony on July 14, 2010, the Smithsonian's National Museum of American History accepted a donation of objects related to 75 years of auto-safety innovation and initiatives from 10 individuals, companies and organizations. The objects will become part of the museum's permanent research collection that illustrates the evolution of automobile safety.



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