

SEMIANNUAL REPORT TO CONGRESS

April 1, 2011 to September 30, 2011



Smithsonian Institution
Office of the Inspector General

Cover image: ***THE MODEL OF SUPER POWER PLAINT (FOLK ART MADE FROM OLD T.V. PARTS)***, Howard Finster, 1979. From the Smithsonian American Art Museum collection.

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MVSEVM, David Beck, 2006. From the Smithsonian American Art Museum collection.

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, 2011. Our mission, as stated in our strategic plan for 2011-2015, is to contribute to the strategic advancement of the Smithsonian Institution through independent and transparent oversight. To this end, we strive to promote the integrity, efficiency, and effectiveness of Smithsonian programs and operations; to prevent and detect fraud, waste, and abuse; and to keep stakeholders informed of the results of our oversight.

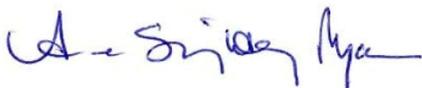
We completed a significant amount of audit and investigative work during this semiannual period, making FY 2011 our most productive ever. We issued four audit reports and five management advisories. On the investigative side, we received 38 new complaints and closed 34 complaints. One of our investigations resulted in a resignation and the recovery of funds and another resulted in a felony conviction.

The Institution generally accepted our audit findings and recommendations. And we are especially pleased that our sustained audit attention to collections stewardship has prompted attention to this important obligation by Smithsonian leadership. Management also took actions to resolve many open recommendations, including measures that will enhance the security of the collections and accountability for personal property.

Our oversight will continue to focus on governance, especially in the areas of internal control and external funding, and on stewardship. We will continue to monitor efforts to resolve internal control issues that resulted in a significant deficiency in the FY 2010 financial statement audit.

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.

On a final, personal note, this is my last Semiannual Report to Congress as Inspector General. I am extremely proud of what this office has accomplished over the last several years; I believe we have made a difference and have helped the Smithsonian become more efficient, transparent and accountable. And I am grateful to have been part of the team of engaged and dedicated professionals that is the OIG staff. It has been an honor to work with them towards our goal of improving this beloved institution.



Anne Sprightley Ryan
Inspector General

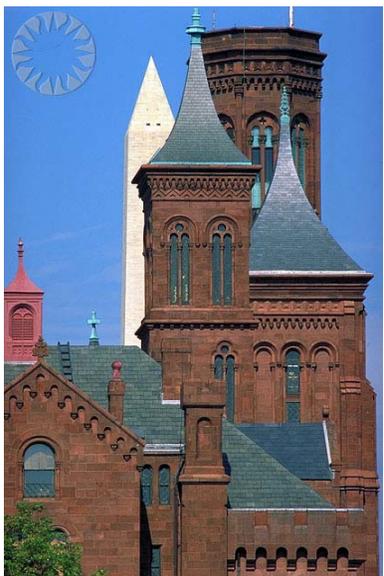


An exhibit case containing Colonial era clothing from the Copp Family Collection, on display in the Arts and Industries Building, possibly in the 1880's. Image from the Smithsonian Institution Archives.

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 approximately 137 million objects and specimens, 1.9 million library volumes, and more than 100,000 cubic feet of archival materials, 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/Content/Pdf/About/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 employees and 1 part-time employee.

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 Office of Audits also monitors the external audit of the Institution's financial statements and contracts out reviews of the Institution's information security practices. The Office of Audits includes the Assistant Inspector General for Audits (AIGA), 3 project managers, 9 auditors, and 2 analysts. The AIGA and one auditor position will become vacant shortly after the end of the reporting period.

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 Office of Investigations. One position is currently vacant.

Counsel

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

Office of the Inspector General Strategic Plan 2011-2015

Mission:

Contribute to the strategic advancement of the Smithsonian Institution through independent and transparent oversight.

Goals:

Promote integrity, efficiency, and effectiveness in the Smithsonian's programs and operations.

Prevent and detect fraud, waste, and abuse.

Timely inform the Board of Regents, Smithsonian management, the Congress, and the public on the results of our independent oversight activities.

Strategies	Performance Targets ¹
Conduct audits, evaluations, and investigations of the programs and operations that address the areas of highest risk to the Institution and that support the Institution's strategic priorities.	<i>Create yearly audit plans that reflect key risks, strategic priorities, and emerging developments at the Smithsonian. Produce tangible improvements in the efficiency and effectiveness of Smithsonian mission-enabling operations.</i>
Increase management's awareness of policies to prevent and detect fraud, waste, and abuse.	<i>Brief all new Smithsonian employees on the role of the OIG. Conduct no fewer than 6 fraud awareness briefings at the units each year.</i>
Produce timely, relevant and actionable reports on the results of OIG work.	<i>Achieve 100 percent Smithsonian management agreement with audit recommendations. Initiate 90 percent of planned audits each year. Obtain high marks on post-audit surveys of auditees. Complete 80 percent of audits within time and resource estimates. Reduce average time to resolve hotline complaints by 15 percent.</i>
Communicate the results of our work regularly to the Regents, Congress, Smithsonian management and the public.	<i>Continuously inform key stakeholders on the results of our work through attendance at Board of Regents meetings and through regular briefings to Smithsonian officials and Congressional committees. Increase non-OIG visits to the OIG website by at least 10 percent each year.</i>
Ensure the continuous professional development of the OIG workforce.	<i>Provide all OIG employees relevant training in support of their individual development in compliance with the training standards and expectations for their respective professions.</i>
Demonstrate the highest standards of professionalism in the conduct of investigations and audits.	<i>Receive an unqualified opinion in peer reviews of OIG investigative operations. Receive an unqualified opinion in peer reviews of OIG audit operations.</i>

¹ *The processes to manage and report on OIG performance are governed by professional standards, as well as by OIG policies and internal controls.*

Audits

During this semiannual period, we completed four audit reports – two in our continuing series on stewardship of the national collections – and five management advisories. We also worked with management to close 16 recommendations from previous and current audits, and completed substantial work on ongoing audits.

Audit Accomplishments

Smithsonian Enterprises Financial Management Operations

http://www.si.edu/OIG/InBrief_A-10-12

Smithsonian Enterprises (SE) comprises the majority of the revenue-generating operations of the Smithsonian Institution and operates three divisions of business activities: Retail, Media, and Consumer Products. The Corporate division provides support for these three divisions. The President of SE is responsible for promoting efficiency and increasing income contributed to the Smithsonian. As such, the efficiency and effectiveness of SE's financial management operations is essential to its overall success.

We performed this audit to address concerns raised by various parties regarding issues in the financial management of the organization. The objectives of this audit were to assess whether the SE Office of the Chief Financial Officer (CFO): (1) 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 also assessed employee morale as it relates to financial management operations.

We determined that the Corporate and Retail divisions of SE do not effectively collaborate with each other, have unclear roles and responsibilities, and are not fully transparent to museums with regard to financial information. In addition, SE's allocation methodology may not fairly distribute costs. Regarding collaboration, and roles and responsibilities, we found that the Corporate and Retail relationship is counterproductive, which adversely affects SE's ability to provide support to its stakeholders. Continued conflict between the groups and management's inability to resolve those disputes has affected financial statement attestations; increased disagreements over overhead (Corporate- and Divisional-shared service) allocations and execution of capital projects; and puts SE's relationships with some museums at risk.

We also found that the financial information that SE presents to the museums could be more transparent. Some information SE presents at its annual directors' meeting is outdated. Furthermore, SE does not involve all museums in regular discussions regarding direct and indirect costs, as required by Smithsonian policy. SE could also improve the presentation of indirect costs on its museum profit and loss statements, which would make their financial information clearer.

SE allocates its overhead to museum partners to align the expenses associated with running retail operations. Because of the way SE develops some of its allocation percentages, the museums may not realize the full amount of any cost avoidance associated with canceled or postponed projects. Moreover, we question the basis SE uses to allocate some of its costs, and believe that allocating using this basis negatively affects the smaller museums, which already incur high salaries and benefits expenses in relation to their revenue.

We made nine recommendations that instruct the President of SE to direct Retail and Corporate to collaborate during and develop written procedures for the budgeting and execution of capital projects; modify the attestation letters; provide more transparent information to museum partners; and evaluate, modify, and document the allocation methodology. Management did not agree with our findings, but generally agreed with our recommendations.

Collections Stewardship of the National Collections at the National Museum of American History – Preservation and Physical Security

http://www.si.edu/OIG/InBrief_A-10-03-1

This report continues our series of collections stewardship audits at the Smithsonian, and is the second of two reports on the collections at the National Museum of American History (NMAH). We issued the first report, on [inventory controls at the museum](#), in February 2011. Our overall audit objectives were to determine whether (1) physical security is adequate to safeguard the collections, (2) inventory controls are in place and working adequately to ensure that the collections are properly accounted for, and (3) collections are properly preserved at NMAH. This report covers the first and third objectives. The first report covered the second objective.

NMAH dedicates its collections and scholarship to inspiring a broader understanding of our nation and its many peoples. The museum holds in trust approximately 3.2 million objects that encompass all aspects of the history of the United States.

Many of NMAH's collections were stored in substandard conditions. The majority of storage areas we tested were not conducive to the long-term preservation of the collections. NMAH storage equipment as well as object housing and housing practices need improvement. For example, nearly all storage rooms at the museum had exposed pipes and conduits, resulting in frequent leaks that threaten collection items.

Some storage buildings are contaminated with asbestos or lead-containing dust. Overcrowding in storage rooms and cabinets has damaged objects.



Several water buckets in an NMAH Division of Work & Industry storage room are collecting water leaking from steam conduits running through the room.



This World War I-era United States flag in the NMAH Military History & Diplomacy Division's collection has suffered irreparable damage from substandard storage practices and housing materials. There are several flags stored similarly within this storage room.

Although NMAH has successfully used internal Smithsonian funding to improve conditions for certain discrete collections, it does not have a comprehensive preservation program to mitigate the deterioration of objects so that they are available for exhibitions, education, and research purposes.

NMAH's physical security is generally adequate to safeguard the collections. However, collections storage areas do not yet comply with the Office of Protection Services' (OPS) security standards. OPS had not installed required security devices in all of these areas. Furthermore, both OPS and NMAH need to improve controls over access to collections storage areas. For example, OPS security officers issued keys to staff and volunteers who lacked proper authorization to access certain collections storage areas. NMAH staff routinely stored keys in unsecured boxes or drawers and did not maintain permanent sign-out logs. These conditions increase the risk of theft and diminish control over collections.

In 2010 the Institution created a pan-Institutional Collections Space Steering Committee (CSSC) focused on ensuring that collections are preserved and remain accessible for current and future generations. We continue to hope that the Institution's Strategic Plan objective to strengthen collections stewardship results in increased attention to and support for collections management.

We recommended that the Smithsonian develop a prioritized plan for addressing collections storage needs; establish and implement a Preservation Program; explore

opportunities to maximize storage space, replace substandard storage equipment and acquire appropriate housing materials for the collections; and develop and implement a plan to remove and decontaminate objects from storage facilities containing hazardous materials. We also recommended that the Smithsonian implement security policies and procedures to improve security controls, and develop and implement a prioritized plan to bring NMAH collections storage areas into compliance with OPS' Security Design Criteria.

Management generally concurred with our findings and recommendations and has planned corrective actions that resolve all of our recommendations.

Collections Stewardship at the Cooper-Hewitt, National Design Museum

http://www.si.edu/OIG/InBrief_A-11-02

We conducted an audit of collections stewardship at the Cooper-Hewitt, National Design Museum to assess whether (1) physical security is adequate to safeguard the collections, (2) inventory controls are in place and working adequately, and (3) controls over the preservation of collections are adequate.

We found that Cooper-Hewitt's controls over inventory, physical security, and preservation were generally adequate. We also identified some opportunities to strengthen the management of inventory and security. Specifically, the Museum needs to develop a more detailed plan to ensure records are updated and needs to ensure proper segregation of duties within its inventory system. We also found that the Office of Protection Services (OPS) needs to provide more oversight of operations at the Newark facility.

We also found that Cooper-Hewitt has demonstrated good inventory procedures, but did not ensure its electronic collections records stored in the collections information system, The Museum System (TMS), were updated. If museum personnel find anomalies during the collections inventory, such as objects on the shelves without corresponding collections records, or records without corresponding objects, they need to research and resolve the anomalies in their records so that the records accurately reflect the status of the objects. Although the Museum had been inventorying its collections, we observed the staff had not been resolving differences found between records and objects.



Winnie the Pooh Wallpaper
Cooper-Hewitt, National Design Museum.

Although overall physical security is adequate to safeguard the collections, some aspects of security need strengthening. Our tests of security devices found that they were generally adequate. We also observed that Cooper-Hewitt is upgrading security as part of its redesign of the existing buildings in New York. Further, OPS provided input and oversight of the security plans for the Mansion and Miller-Fox townhouses. However, at the Newark

facility, access control to the combined collections storage area and OPS oversight of Newark operations needs strengthening. In addition, security reporting could be improved. Finally, Cooper-Hewitt needs to further segregate the duties of the collections database administrator.

We concluded that Cooper-Hewitt controls over preservation of its collections were adequate. It has conducted surveys on the condition of the collections, obtained new shelving and storage for the collections, created a packing system, closely monitored environmental conditions, and developed a detailed disaster plan.

We made five recommendations to ensure that Cooper-Hewitt: (1) reconciles the TMS, accession, and object records; (2) identifies incomplete records in TMS and updates them; (3) establishes internal controls within the combined storage area to ensure individuals only have access to collections that are a part of their official duties; (4) OPS Operations Division obtains and reviews the security reports and oversees management of keys at the Newark facility; and (5) staff members with unrestricted access to collections not have the ability to delete TMS records.

Management generally concurred with our findings and recommendations and has planned corrective actions to resolve the recommendations.

Use of Social Media

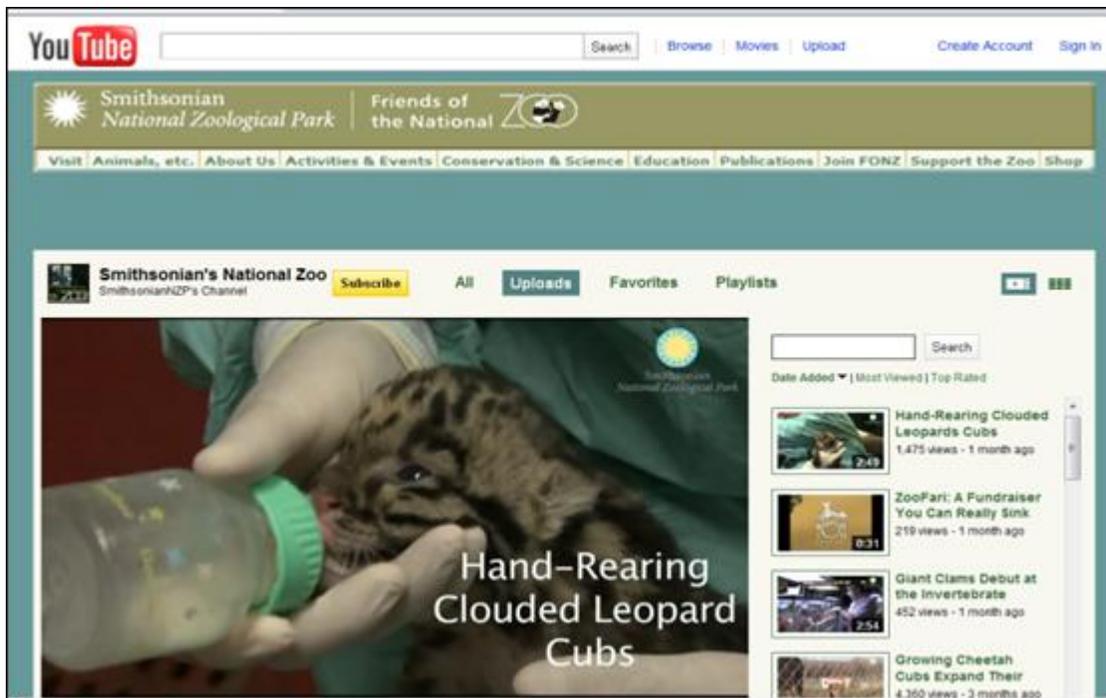
http://www.si.edu/OIG/InBrief_A-11-01

We conducted this audit to assess whether the Institution's plans for and current uses of social media productively and responsibly advance the Smithsonian mission to increase and diffuse knowledge, including whether the Institution provides adequate oversight and sufficient accountability.

The Smithsonian generally used social media responsibly. The Smithsonian content in the nearly 1,600 Smithsonian Facebook and Twitter practitioner posts we reviewed advanced the Institution's mission to increase and diffuse knowledge. Smithsonian practitioners we interviewed regularly reviewed social media for inappropriate user content, but did not find many instances of such content. Likewise, we found no user content that we believed was inappropriate in our random sample of 14 Smithsonian Facebook pages.

However, contrary to best practices, 25 of the 30 Smithsonian pages we reviewed in a separate sample did not contain a comment policy.

At the conclusion of our audit work, the Smithsonian issued a social media policy. If followed as written, it will reinforce practitioners' responsible use of all social media. The policy incorporates social media best practices, setting forth expectations for how to use social media responsibly, including requiring comment policies on Smithsonian social media accounts.



National Zoological Park's YouTube Channel video featuring clouded leopard cubs.

The Secretary and his direct reports (“Management”) have not provided adequate oversight of the Institution’s efforts to broaden access using social media, limiting accountability. The Under Secretaries have not yet established a system to measure Institution-wide social media performance, even though the Smithsonian’s Strategic Plan calls for Management to do so.

The Under Secretaries have not established a system to measure social media performance at all units because they believed that the Smithsonian had not identified a meaningful social media performance indicator. Recently, however, Management selected performance indicators that they plan to begin tracking at the start of FY 2012.

The Secretary has not appointed a Web and new media leader, as called for by the Institution’s Web and New Media Strategy, to help oversee the Institution’s plans for and strategic use of social media.

The Smithsonian did not know the full extent of its social media presence, further limiting Institutional accountability. The Smithsonian’s central directory of social media accounts was missing at least 10 percent of Smithsonian-managed accounts and lacked contact information for almost 20 percent of the registered accounts.

We found that the Smithsonian could help practitioners use social media more productively by improving information-sharing across the Institution. In August 2011, the Smithsonian established an internal information-sharing hub for its social media practitioners.

To improve oversight of and accountability for the Institution's social media use, we recommended that the Smithsonian (1) develop a performance measurement system to evaluate whether the Institution as a whole has met its goal of broadening access using social media; (2) appoint a pan- Institutional Web and new media leader, as called for in the Smithsonian's Web and New Media Strategy; (3) update the Smithsonian Website and Social Network Registry with social media accounts we identified; and (4) request units to close inactive accounts we identified, in accordance with the Institution's new social media policy.

Management generally concurred with our findings and recommendations.

Fiscal Year 2012 Audit Plan

As we do every year, this September we published our fiscal year 2012 Audit Plan, which is available on our website, <http://www.smithsonian.org/oig>. In selecting topic areas for our new audits, we focused on the greatest risks facing the Institution's operations, with the goal of advancing the strategic priority of enabling the Institution's mission through organizational excellence. We believe these audits will promote efficiency and reduce costs in Smithsonian operations; improve accountability for funding decisions; support the growth of external financial resources; examine controls over Smithsonian operations outside the Washington, D.C., area; and serve programmatic priorities such as strengthening collections.

Our planned audits fall into three categories: first, audits carried over from FY 2011. Second, three mandatory sets of audits that we conduct each year: (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 the Board of Regents, conducted at their request to fulfill a statutory requirement.

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

- Management of the National Museum of African-American History and Culture Building Project
- Office of Sponsored Projects Redesign
- Use of Consulting Services
- Smithsonian Tropical Research Institute
- Collections Objects Security Escorts
- Management of Leased Office Space
- Financial Reporting and Risk Management Internal Controls

* * * * *

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

Table 1: List of Issued Audits and Reviews

Report Number	Title	Date Issued
A-10-03-2	Collections Stewardship of the National Collections at the National Museum of American History – Preservation and Physical Security	9/30/2011
A-11-01	Use of Social Media	9/28/2011
A-11-02	Collections Stewardship at the Cooper-Hewitt, National Design Museum	9/12/2011
A-10-12	Smithsonian Enterprises Financial Management Operations	9/07/2011
M-11-04	External Vulnerability Scan of SI Public Servers	9/26/2011
M-10-12	Office of Facilities Engineering and Operations Service Agreements with Smithsonian Enterprises Retail Operations	6/08/2011
M-11-02	Management Advisory on Collection of Cash Donations to Museums	5/17/2011
M-11-01	External Vulnerability Scan of SI Public Servers	5/13/2011

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 16 recommendations during the past six months. Implementation of these recommendations strengthened:

- information technology security
- the Institution's privacy program
- training of employees involved in procurement
- personal property accountability
- security of the national collections
- collections accessioning

OIG IMPACT – Increased Accountability for Personal Property

The Institution has made significant strides in increasing accountability over personal property since we issued our audit on the subject in November 2009 (see our April 2009 *Semiannual Report*, p. 4).

In September 2011, the Institution issued a new *Personal Property Management Manual*. The *Manual* addresses, among other things, our recommendation that policies and procedures require individuals to sign property accountability forms acknowledging responsibility for all accountable personal property in their possession, including property that the individual shares with a group as well as property an individual is repairing, preparing for disposal, storing, or otherwise not actively or exclusively using; and that units submit the accountability forms when reporting missing property.

This new policy represents strengthened controls and will enhance accountability for personal property, reducing the risk of loss.

Table 2 summarizes audit recommendation activity.

Table 2: Audit Recommendation Activity

Status of Recommendations	Numbers
Open at the beginning of the period	56
Issued during the period	31
Subtotal	87
Closed during the period	16
Open at the end of the period	71

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	0	\$0	\$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	0	\$0	\$0
<ul style="list-style-type: none"> • Dollar value of disallowed costs • Dollar value of costs not disallowed 			
Reports for which no management decision has been made by the end of the reporting period	0	\$0	\$0
Reports for which no management decision was made within 6 months of issuance	0	\$0	\$0

Table 4: 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	\$4,184,366
Reports issued during the reporting period	0	\$0
Subtotal	1	\$4,184,366
Reports for which a management decision was made during the reporting period	0	\$0
<ul style="list-style-type: none"> • Dollar value of recommendations that were agreed to by management • Dollar value of recommendations that were not agreed to by management 		
Reports for which no management decision has been made by the end of the reporting period	1	\$4,184,366
Reports for which no management decision was made within 6 months of issuance	1	\$4,184,366

While management made progress in closing old recommendations, 42 recommendations we made in prior semiannual periods remained open at the end of this reporting period. Of those recommendations, 5 are over 3 years old, 11 are over 2 years old, 5 are over 1 year old, and the remaining 21 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 – Collections Care: Space Security Standards

In our 2010 audit of physical security and inventory control measures at the National Air and Space Museum (see our April 2010 *Semiannual Report*, p. 8), we recommended that the Office of Protection Services (OPS) finalize its *Collections Management Security Standards* to strengthen controls over access to collection storage areas.

In June 2011, OPS published its *Standards*. The *Standards* establish minimum operational and physical security requirements for collections space that is dedicated to the housing and management of collections. The document provides pan-Institutional guidance, balancing physical access with preservation and security concerns. All new or renovated collection space will be planned and designed to comply with the guidance, and all existing collections spaces will strive, as resources and opportunities allow, to comply.

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 Chief Information Officer (CIO) should establish procedures to ensure existing policies requiring the use of standard baselines are implemented and enforced.	9/15/2011
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.	9/15/2012
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.	12/31/2011
Smithsonian Astrophysical Observatory Scientific Computing Infrastructure (9/30/2008)	2	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.	12/15/2010
FISMA Audit of the Smithsonian Institution's Information Security Program (3/17/2009)	3	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.	11/30/2011 to 9/15/2012
Smithsonian Institution Privacy Program (5/29/2009)	8	The SAOP and the CIO should develop, document, and implement privacy policies and procedures to support an overall privacy program that adequately addresses privacy-related risks. They should also ensure that privacy links for all Smithsonian website entries have consistent content and style to ensure compliance with the Institution's published web privacy policy and procedures. The SAOP should develop, document, and implement policies and procedures for identifying, documenting, and safeguarding PII used by the Smithsonian; establish and implement	8/31/2011 to 3/15/2012

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
		requirements to reduce holdings of PII; develop and implement procedures to enforce compliance with all PII policies and procedures; develop, document, and implement procedures for privacy impact assessments (PIAs); and post completed PIAs on the Smithsonian's public website.	
Personal Property Accountability (11/18/2009)	3	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; 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.	6/30/2012 to 12/31/2012
FY 2009 FISMA Audit of the Smithsonian Institution's Information Security Program (6/30/2010)	2	The Secretary and Senior Privacy Officials should reassess the security categorization for major systems currently categorized as low-impact systems, based on the type of PII stored on the system. The CIO and Information Technology Security Staff should ensure that all interconnections have signed agreements prior to execution.	9/30/2012 to 10/15/2012
Collections Accessioning at the National Museum of Natural History (11/18/2010)	5	The Director, NMNH, should revise the NMNH CMP to require that a) museum management review and approve department procedures regarding collections, and b) department staff enter all collection items in the system as they are acquired; modify the NMNH CMP to include an accessioning schedule, or require departments to establish accessioning schedules, and enforce compliance with the schedule; and, update the NMNH CMP to require all staff with collections acquisition responsibilities to take training on compliance with pertinent laws and regulations. The National Collections Coordinator, in coordination with the General Counsel, should revise the SD 600 Implementation Manual to establish clear documentation standards for each major acquisition method. The Director, NMNH, in coordination with NCP and OGC, should revise the accession documentation checklists and incorporate these documentation requirements into the NMNH CMP.	12/31/2011
Collections Stewardship of the National Collections at the National Museum of American History – Inventory Controls (2/8/2011)	11	The Director, NMAH, should develop and implement criteria to identify all highly sensitive objects; develop and implement standards for tracking highly sensitive objects within the CIS; develop data entry and catalog standards for completing records in the collections information system and provide training to the curatorial staff; develop and implement a conversion plan to transfer all electronic and paper object records into the CIS to ensure that all objects have a complete and accurate record; develop and implement a reconciliation plan to identify and resolve discrepancies in object records; revise the CMP and Inventory Guidelines; strengthen and standardize collections management elements in performance plans for division chairs; establish and implement a plan to conduct a full inventory of the museum's collections, in accordance with the revised CMP; conduct staffing assessments for OCA to identify deficiencies and develop a plan to address the deficiencies; ensure that the budget requests reflect the needs identified in the assessments; and, develop a succession plan to address potential staff turnover in OCA.	12/31/2011 to 3/31/2012 Several have no target date

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Smithsonian Institution Information Security Program (3/15/2011)	5	The Chief Information Officer should update SD 920 and other related documents to provide clear criteria for designating systems for inclusion in the Institution's FISMA inventory; engage personnel with expertise and institutional knowledge of Smithsonian information systems and in reviewing the updates to the policies and documents an in the resulting modifications to the Institution's FISMA inventory; centrally document as part of its on-going risk management process the decisions by the Under Secretaries and the Unit managers to include or exclude systems in the FISMA inventory; update TSG 930-02 Security Controls Manual (PM-5) to reflect the approved management process; and, implement controls to ensure that all SI-owned laptops/mobile devices that may be used to store sensitive information are secured with an appropriate encryption technology.	9/15/2012 to 3/15/2013

Work in Progress

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

Oversight of Staff Travel

We are assessing whether the Smithsonian is using the results of the Office of the Comptroller's Smithsonian Institution Non-Senior Travel Compliance Review Reports to hold individual travelers accountable and to bring about improvement in travel management.

The Office of the Comptroller conducts travel reviews quarterly to determine compliance with Smithsonian travel policy. Our office has reviewed these reports for the purpose of selecting units for our review. Based on results of this preliminary analysis we have selected units with the largest expenditures for travel or the highest number of incidences of non-compliance in the Office of the Comptroller's Non Senior Travel Compliance Reviews.



Owney travelled with mail bags across New York and then around the country from 1888 to 1897. Railway mail clerks considered the dog a good luck charm. Image from the National Postal Museum collections.

Center for Folklife and Cultural Heritage Financial Operations

The Smithsonian Center for Folklife and Cultural Heritage (CFCH) produces the annual Folklife Festival, Folkways Recordings, and other educational exhibits and publications consistent with the Center's and the Smithsonian's mission. The Center's activities are funded by federal appropriations; Smithsonian trust funds, contracts and agreements with national, state, and local governments; foundation grants; gifts from individuals and corporations; income from the Festival; and Folkways product sales.

This audit will determine whether CFCH accurately accounts for all its business activities and generates sufficient revenues to cover its costs.

Currently, the Folklife Festival and Folkways combined generate annual revenues of over \$4 million. Folklife officials believe the Enterprise Resource Planning (ERP) system does not meet their needs because the account structure is limited. Folklife staff thus augment ERP with ad-hoc accounting processes to record all the revenues and expenses of their different operations. The supplementary procedures are somewhat informal. Further, they rely extensively on the institutional memory of a few seasoned employees who operate them. This use of multiple systems and processes increases the risk of error and makes comparing costs and revenues difficult.

As the Institution increasingly relies on, and seeks to expand, revenue-generating activities, it is critical that there be appropriate internal controls to promote efficient and effective operations, to minimize waste, and to ensure the greatest return.

Use of Consulting Services

In March 2009, President Obama issued a memorandum stating that excessive reliance by government agencies on contracts creates a risk that taxpayer funds will be spent on contracts that are wasteful, inefficient, subject to misuse, or otherwise not well designed. Furthermore, in June 2011, the President encouraged Chief Financial Officers to realize cost savings by targeting wasteful practices and by reducing, and identifying alternatives to, the use of consultants, among other things.

This audit will assess the Smithsonian's use of consulting services to improve its operations, including how the Institution determines whether to hire external consultants and how the Institution follows through with the results of the consultants' work.

The Smithsonian does not keep complete records of the money spent on consulting contracts. Because Smithsonian employees do not consistently classify consulting expenses in the accounting system, we cannot determine exactly how much the Institution spent on consultants in previous years. The scope and cost of consulting studies vary across the Smithsonian. Some consulting studies, such as those dealing with reforming internal controls, applied to business operations across the Smithsonian and were costly and multi-year. Others are small enough to be classified as simplified acquisitions and handled directly by the units. In fiscal year 2010, the Smithsonian spent approximately \$13.5 million in simplified acquisitions alone for consulting, more than \$9 million of which was federal.

We will concentrate on consulting and advisory engagements that deal with the general operations of the Smithsonian.

Our audit will determine whether the Smithsonian used consultants in a productive manner. If we find that the Institution is awarding consulting contracts, but not implementing consultants' recommendations, we will follow through to understand whether those decisions were deliberate decisions to decline to act on consultants' work, or resulted from a lack of resources, poor contract management, questionable bases for the initial need for external expertise, disregard for available expertise in-house, or management inattention to project follow-through. By being more systematic and deliberate about consulting contracts, the Institution may be able to enhance the benefit of contracted services.

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 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 an independent contractor, we are conducting our annual evaluation of the effectiveness of the Smithsonian's information security and privacy programs.

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, collections, processing and safeguarding of sensitive personally-identifiable information (PII). PII includes information that can be used to distinguish or trace an individual's identity and any other information that is linked or linkable to an individual, such as medical, educational, financial or employment information. The Institution has already taken important steps to implement our recommendations. (See our April 2011 *Semiannual Report*, p. 19.)

On August 3, 2011, the Smithsonian issued its *Data Privacy Policy Guidance*, which implements additional recommendations from that audit. The policy provides, among other things, that the Institution will provide notice to individuals regarding the collection, maintenance, and dissemination of PII; shall seek individual consent for the collection, maintenance, and dissemination of PII; shall collect only the information that is directly relevant to achieving stated purposes, and shall retain that information only as long as necessary; and shall take reasonable steps to ensure that all PII is secure from unauthorized access, use, destruction, or disclosure.

Management Advisories

During the course of investigations and audits, we may learn of issues 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. So that management can address the issues promptly, we send Management Advisories.

During this reporting period, we issued 5 management advisories.

Controls over Admission-Related Cash Receipts at the Cooper-Hewitt, National Design Museum

A pattern of theft of cash admissions receipts discovered in Fall 2010 revealed weaknesses in the museum's internal controls. We analyzed the weaknesses that allowed the theft to occur and go unnoticed for a time, and assessed the adequacy of management's enhancement of internal controls to minimize the risk of similar thefts.

We found that the museum did improve controls over depositing cash receipts from admissions and had re-segregated cash management duties. However, although it corrected the most significant control weaknesses, we believed more could be done to mitigate risks, and made several recommendations, including depositing cash within one business day of receipt; promptly submitting accounting information to the central Smithsonian accounting office; and reviewing and reconciling postings into central Smithsonian records.

Cooper-Hewitt management responded that the newly-appointed Chief Financial Officer (CFO) there will make these cash management issues a priority, and that the CFO is ultimately responsible for all cash management at the museum, including cash management procedures.

Office of Facilities Engineering and Operations Service Agreements with Smithsonian Enterprises Retail Operations

During the course of our audit of Smithsonian Enterprises (SE) financial management, we determined that the Office of Facilities Engineering and Operations (OFEO) provided various levels of service to the different museums relating to safety, security, custodial care, operations, maintenance, and revitalization. We reviewed the service agreements, which dated to 2002 and 2003, and determined they were inconsistent and somewhat ambiguous when addressing services provided to SE's retail operations.

We recommended that OFEO, in coordination with SE management and the museums, update the agreements or create one agreement specific to retail operations, that specify the particular services OFEO will perform for each retail line of business at all museums.

Management agreed with the recommendation and will complete the necessary updates and revisions by March 21, 2012.

Collection of Cash Donations to Museums

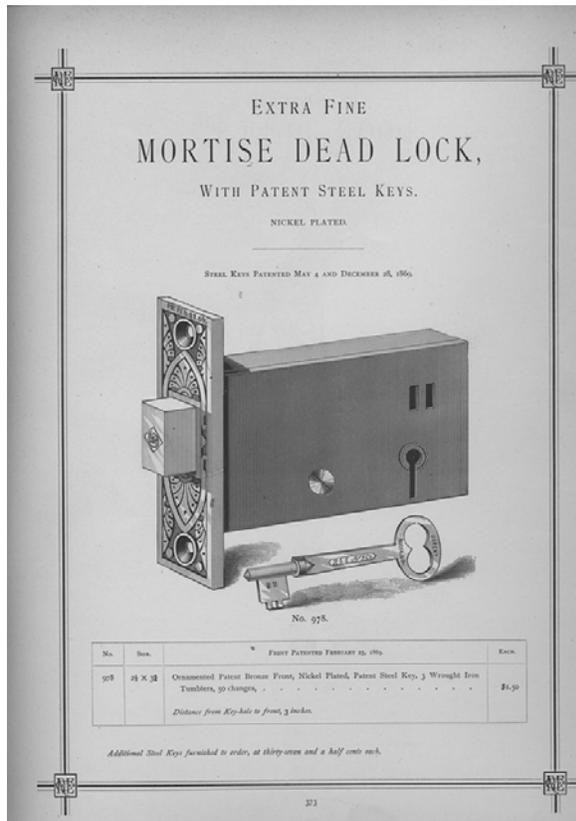
In an investigation, OIG special agents found that not all Smithsonian Enterprises (SE) employees were complying with written policies surrounding the handling or collection of cash donations to museums, which were usually left in collection boxes in the public areas of the museums. Although policy required two individuals to collect and count the donations to ensure the funds were properly accounted for and recorded, employees routinely collected the funds from the collection boxes by themselves.

We recommended that SE regularly remind employees of the two-person procedure and that SE develop alternative procedures for those instances when two individuals are not available to collect the donations. SE management agreed with our recommendation and has reminded all managers of the policy.

External Vulnerability Scans of Smithsonian Public Servers

We conducted two sets of external vulnerability scans of publicly accessible Smithsonian servers. In both sets of scans, we did not detect vulnerabilities.

Russell & Erwin Manufacturing Company, *Real and Compression Bronze Builders Hardware*, 1875. From the Smithsonian Institution Library's Products and Advertisements image collection.



Investigations

During the last two reporting periods, we received 38 complaints and closed 34 complaints. One of our investigations resulted in a former employee pleading guilty to a felony; another resulted in the recovery of funds and an employee resigning.

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

Theft of Funds from Museum

A former employee pleaded guilty to one count of violating 18 U.S.C. section 641. As we reported in our previous Semiannual Report to Congress,¹ we had obtained a felony indictment against this individual for stealing over \$55,000 from a museum where the individual worked. Sentencing is pending.

Theft of Funds from Smithsonian Enterprises

We conducted an investigation into embezzlement of funds by a Smithsonian Enterprises employee, a cashier. OIG interviewed the employee who admitted to not ringing up cash sales and purloining the money. The subject did provide some financial restitution, but OIG agents could not determine the total loss to the Institution. The employee resigned prior to termination, and the U.S. Attorney's Office declined prosecution.

Recovery of Specimens

We assisted a Smithsonian collections management unit recover specimens that had been lost in shipment when being returned from a loan to a University. An individual purchased the specimens during a US Postal Service missing property auction and was reluctant to return them to the Smithsonian without remuneration. OIG agents interceded and specimens were promptly returned.

* * * * *

¹ http://www.si.edu/Content/OIG/SAR/Semiannual_Report_033111.pdf

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	42
Received during the reporting period	38
Subtotal	80
Closed during the reporting period	34
Total complaints pending	46

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	7
Cases opened during the reporting period	2
Subtotal	9
Cases closed during the reporting period	1
Cases carried forward	8
Accepted for Prosecution	
Pending at the beginning of the period	1
Accepted during the period	0
Pending at the end of the period	
Successful Prosecutions	
Convictions	1
Fines	
Probation	
Confinement	
Monetary Recoveries and Restitutions	
Terminations	
Resignations	1
Reprimands or admonishments	
Reassignments	
Demotions	
Suspensions	
Monetary loss prevented	
Funds Recovered	\$2,306.32
Management Advisories	
Collection Items Recovered	

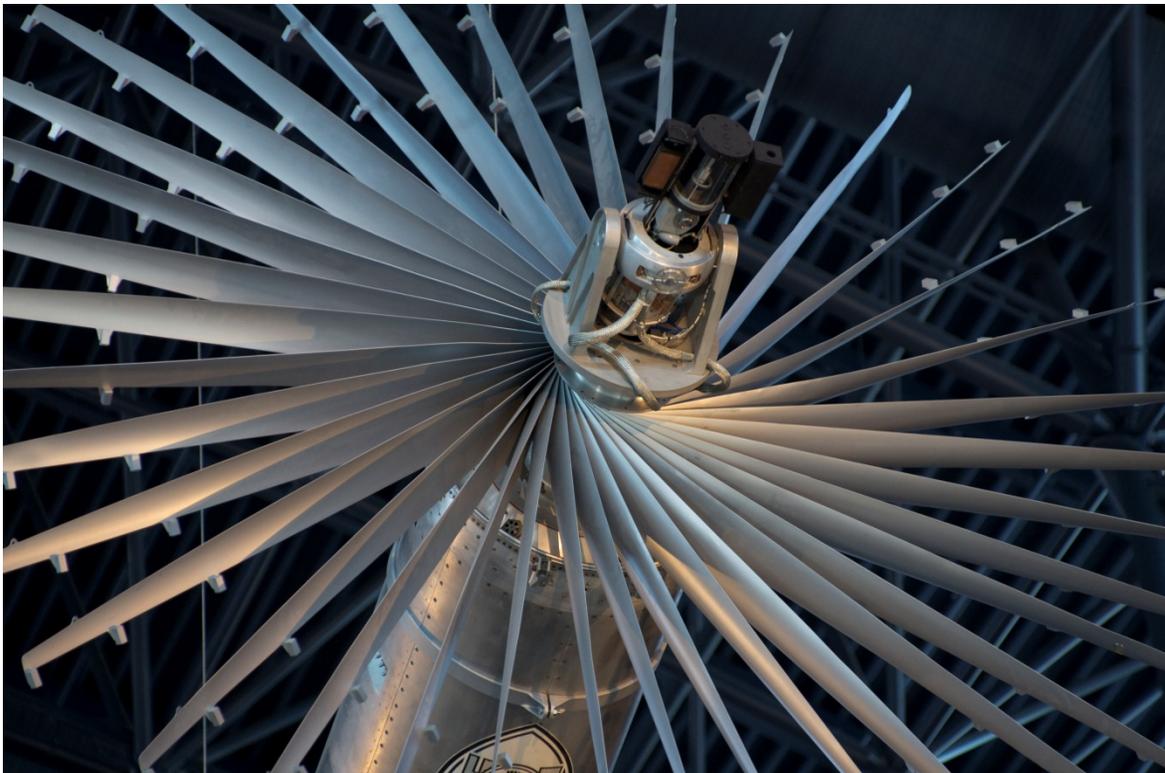
Other Investigative Activity

Fraud Awareness Program

We continue our efforts to reach out to Institution staff and acquaint them with our fraud awareness program. During this reporting period we made 13 fraud awareness presentations to 198 new employees during their orientation program and 2 fraud awareness presentations to 54 employees of the Office of Contracting.

Involvement with Other Organizations

OIG agents remain actively involved with the Washington Metro Electronic Crimes Task Force, the Metropolitan Area Fraud Task Force, the Security Association of Financial Institutions workgroup and the Interagency Fraud Risk Data Mining Group, which assists other OIGs and similar offices to identify systemic fraud and other risks through automated techniques.



Homing Overlay Experiment Test Vehicle, on display at the National Air and Space Museum, Steven F. Udvar-Hazy Center.
Image credit: Steven Townsend.

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 suggestions for future audits and reviews.

We responded to a request by Representative Issa, Chairman of the House Committee on Oversight and Government Reform, for information about our open and unimplemented recommendations. We also provided a biannual report to Senators Grassley and Coburn on all closed investigations we conducted that we did not disclose to the public.



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 draft policies on data governance and on handling social security numbers by the Smithsonian Privacy Officer. We also assisted the Office of Contracting & Personal Property Management with procedures for electronic authentication.

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 Activities

During this period, the Inspector General concluded her service as Co-Chair of the Strategic Planning Committee of the Council of Inspectors General on Integrity and Efficiency (CIGIE) when CIGIE unanimously adopted the Strategic Plan for FY 2012-2016 on August 16, 2011.

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

The Counsel to the Inspector General participated in CIGIE's new media working group.

Peer Review

Peer Review

<http://www.si.edu/OIG/About>

Government Auditing Standards (GAS) require audit organizations to undergo external peer reviews by independent reviewers every three years. Our most recent peer review, issued by the Office of the Inspector General of the Federal Deposit Insurance Corporation (FDIC) in September 2011, concluded that our system of quality control in effect for the 15-month period ended March 31, 2011, has been suitably designed and complied with to provide our office with reasonable assurance of performing and reporting in conformity with applicable GAS in all material respects. We received a peer review rating of pass, the highest rating.

FDIC also, as is customary, issued a Letter of Comment with findings and recommendations that were not considered to be of sufficient significance to affect their opinion in the system review report. FDIC reviewed five of our reports and made 11 recommendations, with which we agreed. FDIC's findings and recommendations related to standards followed on desk reviews; statements of independence for referencers; the disciplinary mechanism for reporting personal impairments; reviews of continuing professional education data; reporting whether audit results can be projected; internal quality assurance program enhancements; and our letter related to the annual financial statements audit. We will complete all corrective actions related to the findings and recommendations no later than March 31, 2012.



Folding ruler and case, late 18th Century. From the Cooper-Hewitt, National Design Museum Collections.

Back cover images:

Top: Swiss-made touch watch owned by Helen Keller. From the National Museum of American History collection.

Bottom: ***All Good Dogs***, Raya Bodnarchuk, 1987. From the Smithsonian American Art Museum collection.



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