



Smithsonian Institution
Office of the Inspector General

SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2015 – September 30, 2015



Table 1: Semiannual Reporting Requirements of the Inspector General Act of 1978, as amended

IG Act Reference	Reporting Requirement	Pages
Section 4(a)(2)	Review of legislation and regulations	10
Section 5(a)(1)	Significant problems, abuses and deficiencies	None
Section 5(a)(2)	Significant recommendations for corrective action	None
Section 5(a)(3)	Reports with corrective action not completed	7
Section 5(a)(4)	Matters referred to prosecutive authorities	10
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	4
Section 5(a)(7)	Summaries of significant reports	4
Section 5(a)(8)	Audit, inspection and evaluation reports—questioned costs	None
Section 5(a)(9)	Audit, inspection and evaluation reports—funds to be put to better use	6
Section 5(a)(10)	Prior audit, inspection and evaluation reports unresolved	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None
Section 5(a)(14-16)	Peer reviews conducted	None

Cover photo: Smithsonian Arts and Industries Building in Washington, D.C. Photo: Smithsonian.

Contents

Message from the Inspector General.....	1
Introduction	
Smithsonian Institution.....	2
Office of the Inspector General.....	3
Audits	
Summary of Audit Reports	4
Work in Progress	5
Other Audit Activities	6
Investigations	
Highlights of Investigative Actions.....	9
Fraud Awareness Program.....	9
Other OIG Activities	
Legislative and Regulatory Review	10
Other Activities	10
Tables	
Table 1: Semiannual Reporting Requirements of the Inspector General Act of 1978, as amended	<i>i</i>
Table 2: Summary of Audit Recommendation Activity during the Semiannual Reporting Period End September 30, 2015.....	6
Table 3: Reports Issued with Recommendations that Funds Be Put to Better Use.....	6
Table 4: Recommendations Made in Previous Semiannual Reporting Periods for Which Corrective Actions Are Not Yet Complete	7
Table 5: Summary of Investigative Activities and Results	10

Abbreviations

CIO	Chief Information Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
OIG	Office of the Inspector General
Smithsonian	Smithsonian Institution

Message from the Inspector General

On behalf of the Smithsonian Institution's Office of the Inspector General, I am pleased to submit this semiannual report. This report highlights the audit and investigative activities of our office for the 6-month period ending September 30, 2015.

Throughout this semiannual period, our audit work addressed issues intended to improve the efficiency and effectiveness of Smithsonian Institution's programs and operations. We issued two reports: one that describes the progress made to improve the storage and digitization of the Smithsonian's vast collections and one that transmits the third and final report of the fiscal year 2014 financial statement audits, which are the audits of federal awards performed in accordance with the Office of Management and Budget's Circular A-133. We also completed substantial work on seven ongoing audits, closed 11 recommendations, and performed a comprehensive risk assessment of the Smithsonian to develop our Fiscal Year 2016 Audit Plan.

Our investigative activities continued to hold accountable those who sought to harm Smithsonian Institution's programs and operations and to prevent and deter fraud, waste, and abuse through an active outreach program. During the reporting period, we resolved 35 complaints and completed 2 investigations.

In the months ahead, we will continue to focus on issues of importance to the Smithsonian Board of Regents and management in meeting their stewardship and fiduciary responsibilities, supporting congressional oversight, and providing information to the public. We hope that you find this report informative.



Cathy L. Helm
Inspector General

Introduction

Smithsonian Institution

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

The Smithsonian is the largest museum and research complex in the world. It currently includes 19 museums and galleries, the National Zoological Park, 9 research centers, and numerous research programs. These facilities hosted 26.7 million visitors in 2014. The Smithsonian is the steward of approximately 138 million objects and specimens, which form the basis of world-renowned research, exhibitions, and public programs in the arts, culture, history, and the sciences.

The Smithsonian’s Affiliations Program brings its collections, scholarship, and exhibitions to 45 states, Puerto Rico and Panama. During fiscal year 2015, the Smithsonian’s websites reached 106 million visitors, and the collection of digitized records available online exceeded 9 million.

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



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

Office of the Inspector General

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

Office of Audits

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

Office of Investigations

The Office of Investigations pursues allegations of waste, fraud, abuse, gross mismanagement, employee and contractor misconduct, and criminal violations of law that have an impact on the Smithsonian's programs and operations. It refers matters to federal, state, and local prosecutors for action whenever the OIG has reasonable grounds to believe there has been a violation of criminal law. The Office of Investigations also presents to management any administrative misconduct for possible disciplinary action.

Office of Operations

The Office of Operations provides technical and administrative support to the office. It is responsible for OIG administrative matters, such as budgeting, procurement, human resources, information technology, and managing organizational performance.

Counsel

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

Audits

During this semiannual period, we issued two audit reports, completed substantial work on seven ongoing audits, and closed 11 recommendations. Our audit work focuses on areas to improve the efficiency and effectiveness of Smithsonian's programs and operations.

Summary of Audit Reports

Below are summaries of the reports issued this reporting period.

[Independent Auditors' Reports on the Fiscal Year 2014 Audits of Federal Awards Performed in Accordance with Office of Management and Budget Circular A-133](#)

On July 1, 2015, OIG transmitted the third and final report of the fiscal year 2014 financial statement audits of the Smithsonian performed by the independent public accounting firm of KPMG LLP (KPMG), which is done in conjunction with the Defense Contract Audit Agency (DCAA). Both KPMG and DCAA reported on the audit of federal awards performed in accordance with U.S. Office of Management and Budget Circular A-133. KPMG and DCAA expressed an unmodified opinion. OIG serves as the contracting officer's technical representative for the oversight of the Smithsonian's annual financial statements audits.

[Collections Management: Progress Made with Initiatives to Improve Inadequate Storage and Undertake Digitization, but Key Challenges Remain](#)

The Smithsonian has made progress in implementing two key initiatives to improve collections care: (1) collections space planning and (2) digitization. For the first part of the collections space planning initiative, it completed the first comprehensive survey of the condition of the spaces used to store collections. The survey found that 34 percent of its spaces were optimal (meet or exceed current Smithsonian standards); 19 percent were acceptable (meet the majority of standards but can still be improved); and 47 percent were unacceptable (do not meet current standards). For the second part of the space initiative, the Smithsonian used the survey results to develop the Collections Space Framework Plan, which calls for renovating nearly 700,000 square feet of existing collections space and adding 1 million square feet of space. The plan will cost an estimated \$1.3 billion (in 2013 dollars) over 30 years to implement.

The Smithsonian is making progress in creating digital images and electronic records of its collections, but significant work remains. Furthermore, in six of its performance reports, the Smithsonian mislabeled the fiscal year for performance data because it has not been collecting data in a timely manner. In response to our work, the Smithsonian corrected the mislabeled data in these reports and developed procedures to accurately report digitization performance data.

Because performance data must be timely to be useful and used by decision makers, we recommended that management develop and implement a plan to obtain timely

digitization performance data. The Smithsonian concurred and plans to address it by February 2016.

Work in Progress

At the end of the period, we had seven audits in progress, as described below.

Animal Care and Safety at the National Zoological Park

We are assessing to what extent National Zoological Park management addressed recommendations to improve animal care operations based on internal and external reviews conducted at the Rock Creek Park campus.

Deferred Maintenance

We are determining to what extent the Smithsonian has developed and implemented strategies to manage its deferred maintenance backlog based on leading practices.

Smithsonian's Controls over Purchase Orders

We are assessing the extent to which the Smithsonian's controls over purchase orders are effective in ensuring compliance with policies and procedures in two areas: (1) sole source purchases, and (2) segregation of duties. We are also reviewing compliance with training requirements related to purchase orders, based on our prior work.

Fiscal Year 2014 Review of the Smithsonian's Information Security Program

We serve as the contracting officer's technical representative for the annual Federal Information Security Management Act audit, which is evaluating the Smithsonian's information security program for fiscal year 2014. An independent firm is conducting the audit.

Smithsonian Enterprises Information Security Program

We serve as the contracting officer's technical representative for an audit assessing the extent to which the Smithsonian Enterprises' information security program and practices are effective and comply with the Payment Card Industry Data Security Standard. An independent firm is conducting the audit.

Smithsonian Institution Privacy Program

We serve as the contracting officer's technical representative for an audit evaluating the effectiveness of the Smithsonian's privacy programs and practices. An independent firm is conducting the audit.

OIG Oversight of the Financial Statements Audits

We serve as the contracting officer's technical representative for the Smithsonian's annual financial statement audits, which include the Smithsonian-wide financial statements, the

federal special-purpose financial statements, and the compliance audit of federal awards based on OMB Circular A-133. An independent public accounting firm is conducting the audits.

Other Audit Activities

Status of Recommendations

Smithsonian management made significant progress in implementing the recommendations from audit reports that we issued in prior semiannual reporting periods. As a result, we closed 11 recommendations during the past 6 months.

Table 2: Summary of Audit Recommendation Activity during the Semiannual Reporting Period Ending September 30, 2015

Status of Recommendations	Numbers
Open at the beginning of the period	20
Issued during the period	<u>1</u>
Subtotal	<u>21</u>
Closed during the period	<u>11</u>
Open at the end of the period	10

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

Type of Reports	Number of Reports	Funds to be Put to Better Use
Reports for which no management decision has been made by the commencement of the reporting period	1	\$1,677,108
Reports issued during the reporting period	0	\$0
<i>Subtotal</i>	1	\$1,677,108
Reports for which a management decision was made during the reporting period		
• Dollar value of recommendations that were agreed to by management	0	\$0
• Dollar value of recommendations that were not agreed to by management	0	\$0
Reports for which no management decision has been made by the end of the reporting period	1	\$1,677,108
Reports for which no management decision was made within 6 months of issuance	1	\$1,677,108

Note: Funds to be put to better use are from the report, [Administration of the Workers' Compensation Program \(A-07-09, March 24, 2009\)](#).

We summarize the open recommendations from prior semiannual periods and the target implementation dates in Table 4.

Table 4: Recommendations Made in Previous Semiannual Reporting Periods for Which Corrective Actions Are Not Yet Complete

Report Title (Date)	Number of Recommendations	Summary of Recommendations	Target Completion Date
<i>Smithsonian Institution Information Security Program (3/15/2011)</i>	1	The Chief Information Officer (CIO) should implement controls to ensure that all Smithsonian owned laptops and mobile devices that may be used to store sensitive information are secured with an appropriate encryption technology.	12/31/2015
<i>Management Advisory Regarding Portable Computer Encryption (3/4/2013)</i>	2	The Under Secretary for Finance and Administration, in coordination with the other Under Secretaries, should direct Unit Information Technology staff to: (1) determine which laptop computers in their inventory may be used to store sensitive data and, with assistance from the Office of the Chief Information Officer, configure those computers with whole drive encryption; and (2) identify all laptop computers that will not be configured with encryption.	12/31/2015
<i>FY 2012 Evaluation of the Smithsonian's Information Security Program (6/3/2013)</i>	2	The CIO should: (1) monitor Smithsonian workstations for unapproved software and timely maintenance of approved software and enforce the policy to maintain products that are approved; and (2) ensure that the system managers provide monitoring and account management reports and evidence of audit log reviews to the security program.	12/31/2015
<i>Management of the Government Purchase Card Program (3/31/2014)</i>	1	The Director of the Office of Contracting & Personal Property Management should develop and implement a strategic sourcing program that encompasses all procurement methods.	9/30/2015
<i>FY 2013 Evaluation of the Smithsonian's Information Security Program (7/9/2014)</i>	3	The CIO should: (1) ensure that information technology security staff enforce compliance with patching requirements and, when appropriate, document compliance waivers, and (2) develop, document, and implement policies and procedures for detecting and removing unauthorized connections.	12/31/2015

Report Title (Date)	Number of Recommendations	Summary of Recommendations	Target Completion Date
		(3) The Smithsonian Astrophysical Observatory's Computation Facility Department manager should enforce configuration management procedures for the Scientific Computing Infrastructure and High Energy Astrophysics systems to include tracking changes, approvals, testing, and implementation in accordance with Smithsonian policy.	

Annual Audit Plan

During this semiannual period, we performed a comprehensive risk assessment of the Smithsonian's programs and operations. We also sought input from our stakeholders at the Smithsonian and in Congress to develop our annual audit plan for fiscal year 2016. Our annual audit plan communicates our priorities to Smithsonian management, the Board of Regents, and Congress.

Peer Review

Government Auditing Standards require audit organizations to undergo external peer reviews by independent reviewers every three years. On August 13, 2014, the Railroad Retirement Board Office of Inspector General completed our most recent peer review. We received a peer review rating of pass, the highest rating. During this reporting period, our office initiated a review of the Small Business Administration Office of Inspector General audit quality control system. At the end of the period, we had not issued our report on the review.

Investigations

At the start of the reporting period, we had 33 open complaints and 11 ongoing investigations. During the reporting period, we received 34 complaints, resolved 35 complaints, opened 1 investigation, and completed 2 investigations. At the end of the reporting period, we had 32 open complaints and 10 ongoing investigations.

Highlights of Investigative Actions

Fraud Investigations

A Smithsonian employee reported the alleged unauthorized use of her personal credit card. OIG agents determined that another Smithsonian employee found the credit card and used it for several purchases. The employee who fraudulently used the credit card resigned prior to being terminated, and was charged with credit card fraud. The employee subsequently plead guilty to misdemeanor credit card fraud in Superior Court of the District of Washington, and was subsequently sentenced to 60 days confinement, 45 hours of community service, and 1 year of probation.

In addition, OIG agents investigated an allegation that an employee used Smithsonian equipment to perpetrate a minor fraud. The employee resigned in lieu of termination.

CIGIE Integrity Committee Investigation

On behalf of the CIGIE Integrity Committee, we conducted an investigation of allegations of wrongdoing by a senior official of another OIG.

Fraud Awareness Program

We continue our efforts to reach out to Smithsonian staff and inform them about fraud awareness in Smithsonian programs and operations. During this reporting period, we made fraud awareness presentations to more than 279 new employees during their orientations.

Table 5 contains a statistical summary of our investigative results.

Table 5: Summary of Investigative Activities and Results

Investigations	Amount or Number
Caseload	
Cases pending at beginning of reporting period	11
Cases opened during the reporting period	<u>1</u>
<i>Subtotal</i>	12
Cases closed during the reporting period	<u>2</u>
Cases carried forward	10
Referrals for Prosecution	
Pending at the beginning of the period	4
Accepted during the period	<u>1</u>
Pending at the end of the period	2
Successful Prosecutions	
Convictions	1
Fines	
Probation	12 months
Confinement	60 days
Monetary Restitutions	
Forfeiture of assets and seized evidence	
Administrative Actions	
Terminations	
Resignations	2
Reprimands or admonishments	
Suspensions	
Monetary loss prevented	

Other OIG Activities

Legislative and Regulatory Review

In accordance with the Inspector General Act, we monitored and reviewed legislative and regulatory proposals for their impact on the Smithsonian's programs and operations. For instance, the Counsel to the Inspector General, working with counsels from other federal Inspector General offices, monitored congressional bills and issues relating to the Inspector General community. We also reviewed draft Smithsonian directives that establish policies and procedures affecting the Office of the Inspector General and the Smithsonian's programs and operations.

Other Activities

OIG remained actively involved with the CIGIE, a council of federal inspectors general that promotes collaboration on integrity, economy, and efficiency issues that transcend individual agencies. The Inspector General, Assistant Inspector Generals, or staff regularly participated in monthly and other CIGIE meetings. In addition, OIG staff participated in Washington Metro Electronic Crimes Task Force, the Metropolitan Area Fraud Task Force, the Association of Certified Fraud Examiners, the Institute of Internal Auditors, the Security Association of Financial Institutions workgroup, the TeamMate Federal Users Group, and the Interagency Fraud Risk Data Mining Group.



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

If requested, anonymity is assured to the extent permitted by law. Although you may remain anonymous, we encourage you to provide us with your contact information. The ability to gather additional information from you may be the key to effectively pursuing your allegation.

Information provided is confidential.