SEMIANNUAL REPORT
TO CONGRESS

October 1, 2011 to March 31, 2012

Smithsonian Institution

Office of the Inspector General

Cover image: A child contemplates the works of James McNeill Whistler at the Freer Gallery of Art.
Image credit: Steven Uejio

Contents

Message from the Inspector General

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 March 31, 2012.

Shortly after joining the OIG in January 2012, I met with Smithsonian senior management and Congressional staff to identify the highest priorities and risk areas on which to focus our work. We then reviewed our fiscal year (FY) 2012 Audit Plan to determine whether the planned projects were still relevant, targeted at priority areas, and properly scoped for our resources. As a result of this exercise, for the remainder of the fiscal year, we will emphasize projects that will identify greater efficiencies and potential cost savings for the Smithsonian.

In addition, we have adopted a rigorous risk assessment process for developing our 2013 work plan using a risk analysis tool that allows us to weigh the various inputs from stakeholders and our work and identify projects designed to address the highest risk areas.

During this semiannual period, we issued one audit report on staff travel and the OIG annual quality assurance letter on the Smithsonian's financial statement audits. We also completed a significant amount of work on audits that are near completion, including an audit on part of the construction contract for the National Museum for African American History and Culture.

On the investigative side, we are actively investigating criminal allegations of contractor fraud, conflict of interest, workers compensation fraud, thefts, and time and attendance fraud. For several of our cases, administrative action has been initiated. We have hired another investigator to augment our investigative team to enable us to be more proactive and responsive. We continue our fraud awareness outreach efforts and have developed a priority list of areas to practively focus our investigative resources.

We appreciate the cooperation of Smithsonian management and staff, and the ongoing interest of the Congressional Committees with which we work. We also thank the Board of Regents' Audit and Review Committee for its strong support of the OIG mission and commitment to improving the Smithsonian through effective oversight.

Scott S. Dahl
Inspector General

Profiles

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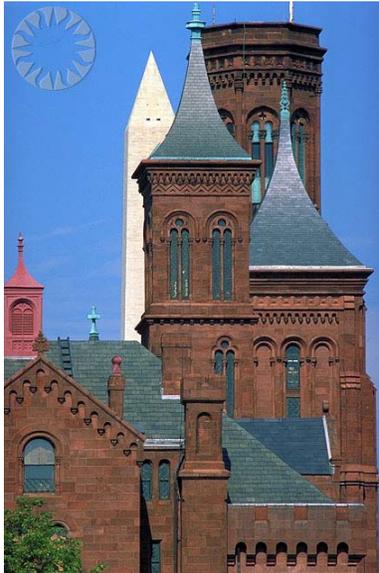
The Smithsonian Institution is a trust instrumentality of the United States created by Congress in 1846 to carry out the provisions of the will of James Smithson, an English scientist who left his estate to the United States to found "an establishment for the increase and diffusion of knowledge."

The Smithsonian is the largest museum and research complex in the world. It currently includes 19 museums and galleries, the National Zoological Park, and research centers in eight states, the District of Columbia, and in the Republic of Panama. The Smithsonian is the steward of approximately 137 million objects and specimens, 2 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. The Smithsonian has digitized over 7.4 million objects that are available online and interacts with the public using myriad web sites and social media accounts.

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.

Office of the Inspector General Profile

The Inspector General Act of 1978, as amended, created the OIG as an independent entity within the Smithsonian to detect and prevent fraud, waste, and abuse; to promote economy and efficiency; and to keep the head of the Smithsonian and the Congress fully and currently informed of problems at the Smithsonian. The OIG reports directly to the Smithsonian Board of Regents and to the Congress. Currently, the OIG has 18 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 Smithsonian's programs and operations are working efficiently and effectively. The Office of Audits also monitors the external audit of the Smithsonian's financial statements and contracts out reviews of the Smithsonian's information security practices. The Office of Audits includes the Assistant Inspector General for Audits (AIGA), 3 project managers, 8 auditors, and 2 analysts. The AIGA position is vacant.

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 Smithsonian'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 Smithsonian'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
Conduct audits, evaluations, and investigations of the programs and operations that address the areas of highest risk to the Smithsonian and that support the Smithsonian's strategic priorities.	*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.*
Increase management's awareness of policies to prevent and detect fraud, waste, and abuse.	*Brief all new Smithsonian employees on the role of the OIG.* *Conduct no fewer than 6 fraud awareness briefings at the units each year.*
Produce timely, relevant and actionable reports on the results of OIG work.	*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.*
Communicate the results of our work regularly to the Regents, Congress, Smithsonian management and the public.	*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.*
Ensure the continuous professional development of the OIG workforce.	*Provide all OIG employees relevant training in support of their individual development in compliance with the training standards and expectations for their respective professions.*
Demonstrate the highest standards of professionalism in the conduct of investigations and audits.	*Receive an unqualified opinion in peer reviews of OIG investigative operations.* *Receive an unqualified opinion in peer reviews of OIG audit operations.*

Office of the Inspector General Strategic Plan Revision

We determined that revisions and updates to the Strategic Plan are necessary and have created a working group to draft revisions and identify additional performance measures and targets. To inform its revisions, the working group looked at many OIGs' mission and vision statements, goals, and strategies, as well as the Smithsonian Strategic Plan.

Audits

During this semiannual period, we completed one audit report on staff travel and issued our annual quality assurance letter on the independent audit of the Smithsonian's financial statements. We also worked with management to close nine recommendations from previous and current audits, and we completed substantial work on ongoing audits.

Audit Accomplishments

Non-Senior Staff Travel Oversight Needs Improvement
http://www.si.edu/OIG/InBrief_A-11-07

Smithsonian researchers travel the world to collect objects, specimens, and data. Researchers also present the results of their work at numerous conferences and meetings in the United States and foreign countries. In addition, staff engages in fundraising activities that require travel to meet with donors. As such, travel at the Smithsonian is critical to its mission of increasing and diffusing knowledge. During fiscal years 2008 to 2010, Smithsonian non-senior travelers from 56 units took 33,458 trips totaling over $42 million.

The OIG conducted an audit of non-senior staff travel based on earlier OIG reviews that found travel problems by some senior Smithsonian management and weaknesses in oversight of executive-level travel. Our objective in the audit was to assess whether the Smithsonian used the results of the Office of the Comptroller Compliance Review Reports of Non-Senior Travel (OC reports) to hold individual travelers accountable and to bring about improvement in travel management.

We determined that the Smithsonian generally used the OC reports to hold individual travelers accountable and improve its travel management program. However, some underlying problems remain uncorrected.

In an effort to understand why voucher problems still exist, we examined the voucher approval process. As a result of the problems we found, we identified system process improvements that would result in more accountability. We found systemic problems with voucher approvals and oversight of approvers.

Based on our review of the OC reports and discussions with management, we concluded that:

- Unit travel approvers often did not effectively review the vouchers and supporting documentation.
- Supervisors often did not always effectively oversee approvers' work.
- Ineffective approvals and inadequate oversight of the travel process weaken internal controls and resulted in the Smithsonian reimbursing travelers for unauthorized expenses.

To address those problems, we recommended that the Under Secretary for Finance and Administration:

- Revise the Travel Handbook to require that when approvers find voucher problems, approvers resolve them by following up with the travelers and, where necessary, the travelers' supervisors.
- Direct the Comptroller to identify approvers who demonstrated a high volume of problems during the OC compliance reviews, and identify approvers with a high volume of trip reviews.
- Direct the Comptroller to assess whether these groups of approvers require mandatory training.

We also recommended that the Under Secretary for Finance and Administration, in coordination with the Smithsonian leadership team, emphasize in writing that unit management needs to more strictly enforce the Smithsonian's travel policy.

Management concurred with our findings and recommendations and has proposed corrective actions that will resolve the recommendations.

Quality Assurance Letter on FY 2011 Financial Statement Audit
http://www.si.edu/oig/AuditReports/A-11-08.pdf

Our office oversees the Smithsonian's independent auditors in their audit of the Smithsonian's annual financial statements. As part of our oversight, we issue a quality assurance letter to the Board of Regents' Audit and Review Committee, in which we summarized the Smithsonian's two annual financial statement audits — federal and Smithsonian-wide (federal and trust) — and offer suggestions for improvements of the audit process and financial management in general.

OIG Statement on Independent Auditor's Adherence to Auditing Standards

In connection with our oversight, we reviewed the independent auditor's reports and audit documentation and interviewed its representatives. We found no instances where the independent auditor did not comply, in all material respects, with auditing standards.

OIG Concern About Untimely Issuance of Smithsonian's Audited Financial Statements

We indicated that we remain concerned about the timeliness of the Smithsonian's reporting of its entity-wide financial results.

While improvements were made from the previous year, management delayed the start of the final audit fieldwork by one month to provide additional time to close the 2011 year-end. As a result, the 2011 entity-wide audit report was issued approximately one month later than in 2009. We encouraged Smithsonian management to continue the progress made to improve OT's reporting capability for timely submission of requested reports and supporting documentation.

Summary of Comments Reported by Independent Auditor in FY 2011

The independent auditor reported the following two comments in its FY 2011 Management Letter, but noted no significant deficiencies or material misstatements:

Discrepancies in Contributions Accounting Policies and Procedures

The independent auditor found discrepancies in the accounting and record keeping for contribution receivables from donors. The discrepancies were caused by manual processing or the inconsistent application of accounting policies and procedures across departments.

The independent auditor encouraged management to strengthen procedures over the application of cash receipts payments to ensure pledge receipts are appropriately applied against existing pledge balances. The independent auditor also encouraged management to enhance discounting procedures over contributions receivable to ensure organization-wide consistency in policies.

Improper Recording of Operating Expenses

The independent auditor noted in its audit of both the federal and trust operating expenses instances where transactions were not recorded in the appropriate fiscal year. The independent auditor recommended that management strengthen the training and procedures surrounding year-end expense cutoff to ensure that transactions are recorded in the appropriate period.

Management concurred with the independent auditor's findings and recommendations and has proposed corrective actions that will resolve the recommendations.

FY 2011 Update of Findings Reported in FY 2010

The independent auditor also provided an update on its FY 2010 findings showing that one was resolved, two were substantially addressed, one was partly addressed, and one is still in process. The final category, still in process, involves contribution accounting, and the auditor, while noting progress, remains concerned about continuing deficiencies.

Steps Taken by the Smithsonian in FY 2011

In our Quality Assurance Letter on the FY 2010 Financial Statement Audit, we stated that hiring a Chief Financial Officer and issuing Smithsonian Directive 310, *Financial Reporting and Risk Management Internal Controls,* were key steps to improving financial management at the Smithsonian. In September 2011, the Smithsonian hired the CFO and combined the position with the Under Secretary for Finance and Administration, and in June 2011 issued the Smithsonian Directive 310*.*

Fiscal Year 2012 Audit Plan

As we do every year, last September we published our fiscal year 2012 Audit Plan, which is available on our website, http://www.si.edu/oig. In selecting topic areas for our new audits, we focused on areas that posed the greatest risks to the Smithsonian's operations, with the goal of advancing the strategic priority of enabling the Smithsonian'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; and serve programmatic priorities such as strengthening collections.

Our planned audits fall into three categories: audits carried over from FY 2011, mandatory audits, and discretionary audits. We conduct three mandatory audits 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 (Board), conducted at the Board's request to fulfill a statutory requirement.

For discretionary audits, we identify projects from assessing ongoing and emerging risks and from consulting with stakeholders throughout the Smithsonian. 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

Fiscal Year 2013 Audit Plan

In an effort to better assess the risk and prioritize our work, we have initiated a rigorous process for risk assessment. We will use a robust software module from the electronic auditing program that analyzes and assigns weights to various inputs from stakeholders and our past audits.

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

- Physical security of the national collections at the National Museum of American History
- Collections accessioning at the National Museum of Natural History
- Financial reporting at the Smithsonian museums
- Oversight of social media use at the Smithsonian
- Security of Smithsonian information systems

While management made progress in closing old recommendations, 61 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, 22 are over 1 year old, and the remaining 23 are less than 1 year old. We summarize these open recommendations from prior semiannual periods and their target implementation dates in Table 5.

We have expressed our concern to Smithsonian management about the need to close old recommendations. We have developed a strategy with management to address the past-due and old recommendations. We will first focus on recommendations related to privacy and information security.

Work in Progress

We have six audits and reviews in progress as described below.

Management of the National Museum of African American History and Culture Building Project

We are conducting an audit of the Smithsonian's management of the National Museum of African American History and Culture building project. This audit is the first in a series of audits to ensure that the Smithsonian has sufficient controls in place to keep the project on schedule and within budget.

In this audit, we are focusing on the Smithsonian's contracting process. Our objectives are to assess the efficiency and effectiveness of the Smithsonian's: (1) contract modification process for the architect/engineer (A/E) and construction management (CM) at-risk contracts; and (2) oversight process for awarding construction packages under the CM at-risk contract.

To supply timely and relevant information, we will issue two reports — one addressing the A/E contract and the other addressing the CM at-risk contract. We have completed our fieldwork related to the A/E contract and expect to issue our report in May 2012. We expect to issue our second report focusing on the CM at-risk contract by September 2012.

Accounting Information Systems at the Center for Folklife and Cultural Heritage

The Smithsonian Center for Folklife and Cultural Heritage (Center) 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.

Currently, the Folklife Festival and Folkways combined generate annual revenues of over $4 million. Center officials believe the Smithsonian's financial management system, the Enterprise Resource Planning (ERP) system, does not meet the Center's needs because the account structure is limited. Therefore, Center staff use other accounting systems to supplement the ERP system.

During this audit, we are assessing whether the Center's accounting information systems:

- Reconcile to the ERP;
- Provide management an accurate view of the Center's business activities; and
- Can be improved to increase efficiencies.

We are completing the fieldwork and expect to issue the final report before the end of this summer.

Use of Consulting Services

On June 28, 2011, the Office of Management and Budget (OMB) issued a memorandum to the Chief Financial Officers of executive departments and agencies addressing President Obama's Executive Order on "Delivering an Efficient, Effective, and Accountable Government." The memo states that the Obama Administration has initiated a "Campaign to Cut Waste" to root out waste from government agencies. The memo emphasizes the importance of cutting waste, fraud, and abuse, streamlining government operations, and improving government performance and management. The memo focuses on encouraging departments and agencies to "cut costs where possible and eliminate practices that are antiquated or unnecessary." Specifically, OMB identified, among other items, reducing the use of consultants. Although the Smithsonian is not subject to this memo, in the interest of promoting cost savings and efficiency we decided to look at its use of consultants to improve operations.

We announced our audit of the Smithsonian's use of consulting services on November 15, 2011. The objectives of this audit are to assess whether the Smithsonian (1) obtained the required services for the consultants, (2) utilized the consultants' results, and (3) improved

operations based on the consultants' recommendations. In addition to our audit objectives, we are reviewing controls in place over contracting procedures and the utilization of services provided by the Smithsonian's Office of Policy and Analysis.

Our audit focuses on consulting contracts to improve Smithsonian operations; therefore, we excluded construction consultants and contracts that supplemented the workforce. In order to assess whether the Smithsonian used the consultants' services to improve operations, we selected consulting contracts entered into during FY 2008 to allow sufficient time for the Smithsonian to use the consultants' services to improve operations. We are currently in the testing phase of the audit and anticipate issuing our findings in the next quarter.

Annual Audit of Travel Expenses of the Board of Regents

We initiated an audit of the Regents' travel expenses. We will assess whether the travel expenses for those Regents who seek reimbursement for expenses associated with attending Board meetings comply with laws, regulations, policies, and procedures.

In 2007, the Executive Committee of the Board requested the Office of the Inspector General to conduct an annual audit of the Regents travel expenses. The Executive Committee requested this audit to fulfill the statutory requirement under 20 U.S.C. Section 44, which allows each member of the Board to be paid necessary traveling and other actual expenses to attend meetings of the Board and tasks the Executive Committee with auditing these expenditures. We expect to issue the final report in April 2012.

Review of the Smithsonian Institution's Information Security Program

The Federal Information Security Management Act (FISMA) requires that Inspectors General perform an independent annual evaluation of the information security program and practices of the organization for which they provide oversight, including testing and evaluating controls that safeguard information and systems. Although the Smithsonian Institution is not subject to FISMA, the Smithsonian has adopted the Act through its technical standards and guidelines. To fulfill our responsibilities under FISMA, the Office of the Inspector General engaged an independent audit firm to review the Smithsonian's information security program and practices. The auditors completed the fieldwork, and we expect to issue the final audit report in May 2012.

Review of Senior Executive Travel

We initiated a review of senior executive travel at the Smithsonian, including travel by the Secretary. We will assess whether (1) executive travelers complied with laws, regulations, and Smithsonian policies and procedures, including for accompanying spousal travel; (2) travel management controls operated properly, including oversight by the Board of Regents and other authorities; and (3) travel was for authorized purposes and for reasonable amounts.

In addition to reviewing the travel records, we will also examine the review process established by the Office of the Comptroller for quarterly assessments of all senior executive travel. Our review will cover executive travel for fiscal years 2009–2011.

Investigations

Types of Investigations and Activities

The types of criminal allegations that the agents investigated during this semiannual period include the following: contractor fraud, conflict of interest, theft of property, computer intrusion, improper reprisal, workers compensation fraud, and time and attendance fraud.

For several of the investigations, the agents worked jointly with other federal law enforcement agencies. The agents promulgated subpoenas for documents and prepared search warrant affidavits. They provided the results of investigations to management for administrative action to be taken. For several matters, disciplinary action against the employees has been initiated. During the reporting period, we received 32 complaints and closed 25 complaints.

Summaries of Several Investigations

Following are summaries of several investigations completed during the period.

Theft of Funds

A former employee diverted more than $55,000 of museum cash collections to her personal account over a 3 year period. Following our investigation, she pled guilty to one felony count of violating 18 U.S.C. Section 641 (theft of government property). On November 28, 2011, a federal court sentenced her to 3 months confinement, 3 years probation, and ordered her to pay $47,885 in restitution. The investigators shared the fraud finding with our Office of Audits, which in turn examined the lack of internal controls that allowed such a crime to occur undetected for three years. Audits also informed Smithsonian management about the deficiency.

Reprisal Against Employee

A Smithsonian employee reported an allegation of reprisal taken against the employee by the immediate supervisor. The employee had identified and reported a health and safety issue within a Smithsonian program. In response, the supervisor issued a letter of reprimand to the employee that went into the employee's personnel file. OIG agents conducted extensive interviews and reviewed seized electronic evidence. They sustained the allegation. Based on our findings, the letter of reprimand was rescinded. Administrative action against the supervisor has been initiated.

Allegation of Conflict of Interest

In some investigations, we establish that the allegations could not be substantiated. One example is an allegation that a Smithsonian procurement official improperly attempted to

influence a technical evaluation panel to select a firm with which the official had a personal relationship. After OIG agents interviewed staff and reviewed documents, they determined that the evaluation of contract proposals was accomplished without any apparent bias or preferential treatment for any bidder.

Other Investigative Activity

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 13 fraud awareness presentations to 224 new employees during their orientation.

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 (assists other OIGs and similar offices to identify systemic fraud and other risks through automated techniques.)

Other OIG Activities

Congressional Liaison

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

We provided a semiannual response to Senators
Grassley and Coburn on all closed matters 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.

During this period, we reviewed the draft privacy program guidance concerning privacy
compliance reviews by the Smithsonian Privacy Officer. We also reviewed and commented
on the Smithsonian Directive dealing with the Office of the Inspector General.

The Counsel to the Inspector General, working with counsel from other Inspector General
offices across the federal government, also monitored congressional bills and issues relating
to the Inspector General community.

Other Activities

OIG auditors and IT staff are actively involved in the TeamMate Federal Users Group. The
office has established working groups to drive a number of improvement initiatives,
including an updated strategic plan, a comprehensive risk assessment process using
TeamRisk, and a streamlined audit process.

Tables

Table 1: List of Issued Audits and Reviews

Report Number	Title	Date Issued
A-11-07	Non-Senior Staff Travel Oversight Needs Improvement	3/30/2012
A-11-08	Quality Assurance Letter on FY 2011 Financial Statement Audit	3/30/2012

Table 2: Audit Recommendation Activity

Status of Recommendations	Numbers
Open at the beginning of the period	71
Issued during the period	3
Subtotal	74
Closed during the period	10
Open at the end of the period	64

Table 3: 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 • Dollar value of recommendations that were agreed to by management • 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	$4,184,366
Reports for which no management decision was made within 6 months of issuance	1	$4,184,366

Table 4: 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 • Dollar value of disallowed costs • 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 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.	9/15/2012
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 Smithsonian or sensitivity of data they process or store.	9/15/2012
Smithsonian Astrophysical Observatory Scientific Computing Infrastructure (9/30/2008)	1	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.	7/15/2012
FISMA Audit of the Smithsonian Institution's Information Security Program (3/17/2009)	2	The CIO should identify and complete risk assessments for all Smithsonian public websites that use e-authentication.	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 Smithsonian's published web privacy policy and procedures. The SAOP should develop, document, and implement policies and	8/31/2011 to 3/15/2012

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
		procedures for identifying, documenting, and safeguarding PII used by the Smithsonian; establish and implement 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 curently 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)	4	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 Director, NMNH, in coordination with NCP and OGC, should revise the accession documentation checklists and incorporate these documentation requirements into the NMNH CMP.	3/31/2012
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.	6/30/2012 to 2/28/2013

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 Smithsonian's FISMA inventory; engage personnel with expertise and institutional knowledge of Smithsonian information systems and in reviewing the updates to the policies and documents and, in the resulting modifications to the Smithsonian'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
Management Advisory Regarding OFEO Service Agreements with Smithsonian Enterprises Retail Operations (6/8/2011)	1	OFEO, in coordination with SE management and the museums, should update service agreements or create one agreement specific to retail operations.	3/31/2012
Smithsonian Enterprises Financial Management (9/7/2011)	7	The President of Smithsonian Enterprises should ensure the CFO and Director, Retail Division, in coordination with museum partners, collaborate on Retail's capital projects; formalize and implement procedures for store closings and Capital Appropriation Request submittals; modify attestation letters so they are specific to each division and more explicitly explain the extent of the attestations; ensure that net gain information presented at the annual directors' meeting is timely and accurate; prepare and distribute an annual report for all stakeholders that sets forth all of SE's revenues and costs, and meet with museum partners to determine what additional information SE should include in the report; and, document the agreed-upon allocation methodology in a clear manner for museum partners to understand, including justifications for the cost bases and support for all SE lines of business percentages used.

The President of SE, in coordination with the Director of the Office of Planning, Management, and Budget, and Museum Directors, should evaluate the allocation methodology, particularly the cost basis for stores and theaters, and modify it as appropriate. | 3/31/2012 to 9/30/2012 |
| Collections Stewardship at the Cooper-Hewitt, National Design Museum (9/12/2011) | 3 | The Director, Cooper-Hewitt, National Design Museum, should develop a plan to reconcile the TMS, accession, and object records; develop a plan to identify incomplete records in TMS and update them; and, ensure that Cooper-Hewitt staff members with unrestricted access to collections not have the ability to delete TMS records. | 3/1/2012 to 8/1/2012 |
| Use of Social Media (9/28/2011) | 2 | The Secretary should develop a performance measurement system that includes performance targets, set centrally or by the units, to evaluate whether the Smithsonian as a whole has met its goal of broadening access using social media; and, appoint a pan-Smithsonian Web and new media leader, and give that person the authority and visibility to lead change, as called for in the Smithsonian's Web and New Media Strategy. | 9/30/2012 One has no target date |

Audit Title (Date)	Number of Recs	Summary of Recommendations	Target Date
Collections Stewardship of the National Collections at the National Museum of American History – Preservation and Physical Security (9/30/2011)	10	The Deputy Under Secretary for Collections and Interdisciplinary Support, in coordination with the Director, OFEO, should develop a prioritized plan for addressing collections storage needs Institution-wide that identifies possibilities for acquiring storage space. The Under Secretary for History, Art and Culture, in coordination with the Director, NMAH should explore opportunities to increase available space, including ways to maximize existing storage space; and, develop, fund, and implement a prioritized plan to replace substandard storage equipment and housing with appropriate materials. The directors of OFEO and NMAH, in coordination with the Under Secretary for History, Art and Culture should develop and implement a plan to decontaminate objects and storage facilities containing hazardous materials. The Director, NMAH, in coordination with the Under Secretary for History, Art and Culture should establish and implement a Preservation Program, as required by SD 600, to include prioritized plans for conducting staffing and preservation assessments, as well as preservation and curatorial staff training. The Director, OFEO, in coordination with the Under Secretary for Finance and Administration should develop and implement a prioritized plan, in line with the findings of the CSSC survey, to bring NMAH collections storage areas into compliance with OPS' Collection Space Security Standards and the Security Design Criteria; and, install card readers on all NMAH collections storage areas, working in a prioritized manner, if necessary, starting with the more sensitive collection storage areas. The Director, OPS in coordination with the Director, NMAH should conduct regular inventories of NMAH collections storage keys, as required by OPS policy. The Director, NMAH, should develop a written policy for permitting responsible access to collections documentation and collections storage areas, including improved controls over key and card reader access, as required by the SD 600 Implementation Manual and the Collection Space Security Standards; and, ensure that CMS staff and contractors with the ability to delete or remove records do not have key and card reader access to the collections.	6/29/2012 to 12/31/2012

Table 6: Summary of Complaint Activity

Status	Number
Open at the start of the reporting period	46
Received during the reporting period	32
Subtotal	78
Closed during the reporting period	25
Total complaints pending	53

Table 7: Summary of Investigative Activity

Investigations	Amount or Number
Caseload	
Cases pending at beginning of reporting period	8
Cases opened during the reporting period	2
Subtotal	10
Cases closed during the reporting period	3
Cases carried forward	7
Accepted for Prosecution	
Pending at the beginning of the period	1
Accepted during the period	1
Pending at the end of the period	1
Successful Prosecutions	
Convictions	1
Fines	
Probation	1
Confinement	1
Monetary Recoveries and Restitutions	$47,886
Terminations	
Resignations	
Reprimands or admonishments	
Reassignments	
Demotions	
Suspensions	
Monetary loss prevented	
Funds Recovered	

Table 8: Results of Peer Review

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, had been suitably designed and complied with to provide our office with reasonable assurance of performing and reporting in conformity with applicable government auditing standards in all material respects. We received a peer review rating of pass, the highest rating.

FDIC issued a Letter of Comment with findings and recommendations that were not considered to be of sufficient significance to affect their opinion in the review report. FDIC made 11 recommendations, with which we agreed. The following table lists the recommendations that have not been fully implemented.

Recommendation	Status
The Assistant Inspector General for Audits should revise the audit manual to include a disciplinary mechanism to promote compliance with the audit organization's policies and procedures for identifying, reporting, and resolving personal impairments of independence.	
The Assistant Inspector General for Audits should expand the audit manual's Quality Control Checklist to address whether sampling results can be projected to the intended population.	
The Assistant Inspector General for Audits should require the Quality Control Manager to ensure that the Quality Monitoring Checklist be updated to include all relevant questions from the CIGIE peer review guide, Appendix E, *Checklist for Review of Performance Audits Performed by the Office of Inspector General*.	Currently, our office is in the process of updating its audit manual to reflect the FY 2011 revision to Generally Accepted Government Auditing Standards as well as recommendations from the peer review.
The Assistant Inspector General for Audits should revise the audit manual to require the Quality Control Manager to plan and perform quality assurance reviews with the intent of providing positive assurance on the review objective.	
The Assistant Inspector General for Audits should evaluate options for ensuring that the same level of professional care is given to quality assurance reports as with other audit organization efforts.	
The Assistant Inspector General for Audits should revise the audit manual to require that quality assurance review reports include the written comments (including agreement / disagreement on findings, conclusions, and recommendations, any alternative corrective actions, and corrective action implementation dates) and the Quality Control Manager's evaluation of those comments.	
The Assistant Inspector General for Audits should revise the audit manual to require that quality assurance review report recommendations be tracked and subject to follow-up to help ensure that corrective action is taken.	

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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