



Smithsonian
Institution

Senior Executive Travel

The Smithsonian Institution Should Strengthen Travel Related Policies and Procedures

**Office of the Inspector General
Report Number A-12-05
March 8, 2013**



In Brief

The Smithsonian Institution Should Strengthen Travel Related Policies and Procedures, A-12-05, March 8, 2013

Why We Did This Audit

While the Smithsonian Institution had well-publicized problems involving travel abuse by several former senior executives more than 4 years ago, recent episodes elsewhere in government involving extravagant spending on conferences and travel, highlight the need for continued vigilance in this important area.

We conducted this audit as a follow-up to earlier OIG reviews that found weaknesses in the oversight of travel.

What We Looked At

We conducted this audit to assess whether (1) executive travelers complied with laws, regulations, and Smithsonian policies and procedures, including 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.

What We Found

Overall, we determined that the senior executive trips reviewed were for authorized purposes and travel expenses were reasonable. We also did not find any travel abuse or material violations of Smithsonian policies for the trips reviewed. However, we identified internal control weaknesses in the Smithsonian's policies and procedures. Specifically, we found that:

- Those approving or reviewing travel for senior executives are often organizationally removed from the travelers' units and do not have supervisory authority over travelers.
- The Smithsonian needs to develop and implement policies and procedures for earning and documenting compensatory time off for travel.
- Some of the trips sponsored by outside entities lacked proper documentation and were not included in the Smithsonian travel management system.
- Smithsonian staff used purchase orders to pay for travel expenses. However, travel expenses on purchase orders are not subject to review by an authorized travel approver.
- The Smithsonian needs to update and enforce the Overseas Tour Renewal Agreement Travel policy for permitting an employee and immediate family to return to their place of residence.

What We Recommended

We made eight recommendations for the Smithsonian to strengthen and update policies and procedures related to the oversight and execution of travel.

Management and the Board of Regents concurred with our findings and recommendations and have proposed corrective actions to address the recommendations. We will continue to monitor their progress towards completion of these recommendations.

For additional information or a copy of the full report, contact the Office of the Inspector General at (202) 633-7050 or visit <http://www.si.edu/oig>.



Office of the Inspector General

Date March 8, 2013

To France Cordova, Chair of the Board of Regents
John McCarter, Vice-Chair of the Board of Regents and Chair of the
Audit and Review Committee
Roger Sant, Chair of the Governance and Nominating Committee,
Board of Regents
Albert Horvath, Under Secretary for Finance and Administration/
Chief Financial Officer

cc G. Wayne Clough, Secretary
Richard Kurin, Under Secretary for History, Art, and Culture
Eva Pell, Under Secretary for Science
John Lapiana, Chief of Staff to the Board of Regents
Patricia Bartlett, Chief of Staff, Office of the Secretary
Judith Leonard, General Counsel
James Douglas, Director, Office of Human Resources
Dorothy Leffler, Director, Office of Contracting and Personnel
Property Management
Andrew Zino, Comptroller
Stone Kelly, Program and Budget Analyst, Office of Planning,
Management and Budget

From Scott S. Dahl, Inspector General 

Subject Review of Senior Executive Travel, A-12-05

Attached please find a copy of our final report titled *The Smithsonian Institution Should Strengthen Travel Related Policies and Procedures*.

We made six recommendations to management to (1) strengthen the travel review process of senior executives for trips over an established threshold, (2) revise policies and procedures relating to compensatory time off for travel, (3) reinforce to staff that all sponsored trips should be authorized in the Smithsonian's travel information system, (4) ensure that travel expenses paid through a purchase order are subject to the same standards of review as other travel expenses, and (5) strengthen the Smithsonian's Overseas Tour Renewal Agreement Travel policies and procedures.

We made two recommendations to the Board of Regents to (1) strengthen the travel review process of the Secretary's trips over an established threshold, and (2) reassess whether all senior executives should be eligible to earn compensatory time off for travel.

We appreciate the courtesy and cooperation of all Smithsonian staff during this review.

Please call me or Michael Sinko, Assistant Inspector General for Audits, on 202.633.7050 if you have any questions.

INTRODUCTION

This report presents the results of our review of senior executive travel at the Smithsonian Institution. Smithsonian senior executives frequently have domestic and international travel needs for pursuing scholarship, research, operational site visits, or fundraising. While the Smithsonian's well-publicized problems involving travel abuse by several former senior executives occurred more than 4 years ago, recent episodes elsewhere in government involving extravagant spending on conferences and travel highlight the need for continued vigilance of this important area, particularly in this constrained budget environment.

The Office of the Inspector General (OIG) conducted this audit of senior executive travel as a follow-up to earlier OIG reviews that found weaknesses in travel oversight.

In an effort to improve accountability over travel operations, Smithsonian management implemented the 2007 Governance Committee recommendations for monitoring senior executive travel. This included quarterly compliance reviews conducted by Office of the Comptroller (OC) of all executive travel.

Our objectives were to 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 examined the review process established by OC for quarterly assessments of all senior executive travel.

We conducted a review of a sample of senior executives' travel. A detailed description of our objectives, scope, and methodology is included in Appendix A.

RESULTS IN BRIEF

Overall, we determined that the senior executive trips reviewed were for authorized purposes and travel expenses were reasonable. We also did not find any travel abuse or material violations of Smithsonian policies for the trips reviewed. However, we identified internal control weaknesses in Smithsonian's policies and procedures. We determined that management needs to improve oversight of executive travel by strengthening Smithsonian policies to make them consistent with federal travel rules relating to:

- Supervisory approval or review of trip justification for senior executive travel;
- Earning and documenting compensatory time off for travel (comp-time off for travel);

- Oversight of travel for special circumstances, such as sponsored travel;
- Purchase orders used for group travel expenses; and
- The Overseas Tour Renewal Agreement Travel policy that permits an employee and immediate family to return to their place of residence in the continental United States between overseas tours of duty.

What We Found

We found that travel approvers for senior executives are often organizationally removed from the travelers' unit and do not have supervisory authority over travelers. Therefore, approvers may be unable to exercise meaningful oversight of senior executive travel to determine whether the trip is essential to further the mission of the unit or the Smithsonian, as set forth by Federal Travel Regulations (FTR). Although we did not identify any abuses of travel, the risk of unnecessary travel increases when senior executives travel without sufficient oversight by officials who are familiar with the mission needs or have supervisory authority over the traveler.

The Smithsonian needs to develop and implement policies and procedures for earning and documenting comp-time off for travel. Comp-time off for travel may be earned by an employee for time spent in a travel status away from the employee's official duty station when such time is not otherwise compensable (i.e., outside of normal duty hours). We found that, unlike federal agencies we examined, the Smithsonian has not defined essential terms relating to comp-time off for travel nor has it established policies and procedures for earning and documenting comp-time off for travel hours. In addition, the Smithsonian's practice of allowing all senior executives to earn comp-time off for travel is not in line with federal agencies' practices.

For travel under special circumstances, such as premium upgrades due to a medical condition, spousal accompaniment, and sponsored travel, we found that senior executives generally complied with Smithsonian policies and procedures. We did find that some of the sponsored trips lacked proper documentation and were not included in the Smithsonian travel management system.

We also found that Smithsonian staff used purchase orders (PO) to pay for group travel expenses for senior executives—such as hotels, transportation, and guided tours in foreign destinations. We determined that subordinates were approving these POs, even though they did not have the authority to approve travel expenses. We believe that the use of POs increases the risk that Smithsonian could fail to conform to its travel policies and procedures.

We also found that the Smithsonian needs to update and enforce the Overseas Tour Renewal Agreement Travel policy for permitting an employee and immediate family to return to their place of residence. Specifically, service agreements need to align

with the FTR, and management needs to enforce the policies to ensure compliance with the FTR.

We examined the reports and analysis that OC used to conduct quarterly assessments of senior executive travel within the scope of our review. We found OC's review process and procedures to be adequate for those executives.

What We Recommended

We made recommendations to (1) strengthen the travel review process for trips over an established threshold, (2) ensure that travel expenses paid through a purchase order are subject to the same standards of review as other travel expenses, and (3) reinforce to staff that all sponsored trips should be authorized in Smithsonian's travel information system.

We made a recommendation for management to strengthen the policies and procedures relating to comp-time off for travel to be consistent with federal policies. We also recommended that the Board of Regents reassess whether all senior executives should be eligible to earn comp-time off for travel, again to be consistent with federal policies.

We recommended revising the Smithsonian's policies and procedures relating to Overseas Tour Renewal Agreement Travel, including developing standardized service agreements in accordance with the FTR.

Management concurred with our findings and recommendations and has proposed corrective actions that will address the recommendations. Please refer to Appendix B for management's complete response.

The Board also concurred with our findings and recommendations and has proposed corrective actions that will address the recommendations directed to the Board. Please refer to Appendix C for the Board's complete response.

BACKGROUND

Many Smithsonian senior executives travel extensively, both domestically and internationally, to speak at conferences, attend meetings, conduct site visits, and perform research. In addition, senior executives are required to travel to cultivate potential donors throughout all phases of fundraising. Hence, senior executive travel at the Smithsonian is necessary to promote its overall mission of increasing and diffusing knowledge through research, education, and outreach.

The Smithsonian defines senior executives as those employees whose duties are classified above a General Schedule grade 15 and are comparable to those of senior-level employees in executive branch agencies. The Smithsonian senior executives are categorized as either federal employees (paid with appropriations) or trust employees (paid with non-appropriated funds also known as trust funds).

Each category has its own pay scale and benefit programs. All Smithsonian senior executives have an annual pay rate of at least the minimum rate for federal employees in senior-level positions. However, salaries for some senior trust executives, including the Secretary, are based on market medians and may exceed federal pay plans.

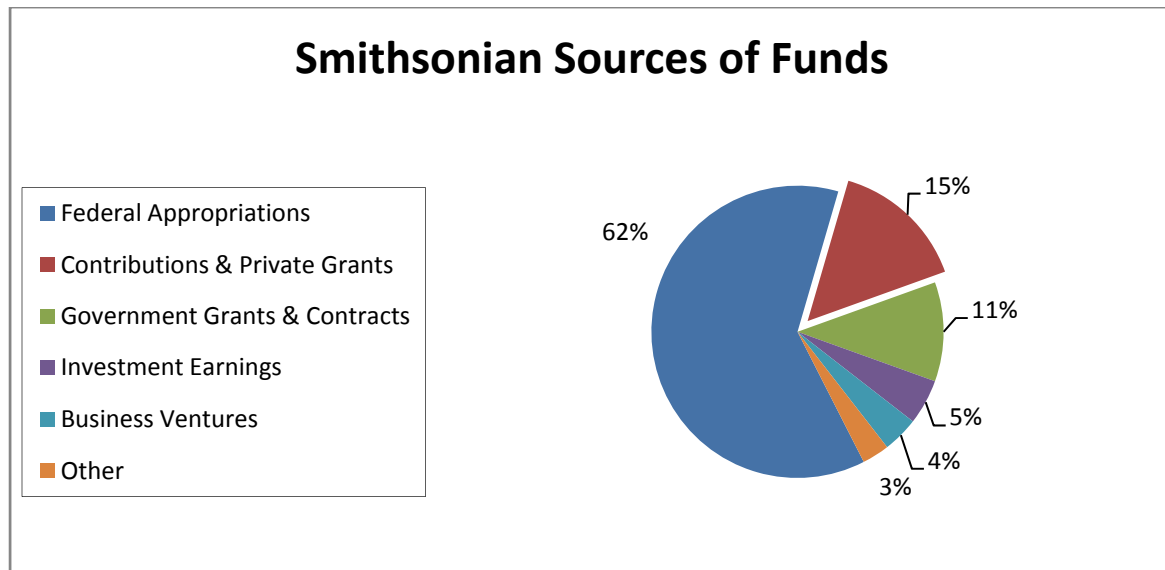
For this review, we judgmentally sampled 36 of the 66 travelers defined as senior executives between fiscal years (FY) 2009 and 2011. Specifically, our sample of travel included senior executive trips that were \$3,000 or more, all spousal trips where the Smithsonian paid some of the travel expenses, and sponsored trips that were in excess of 7 days. We also reviewed all of the Secretary's travel from July 2008 through March 2012, representing the Secretary's start-date up to the inception of this audit. Trips taken by senior executives and spouses reviewed, including the Secretary, totaled \$846,430, from Smithsonian federal and trust funds. This amount does not include all sponsored travel costs paid by third parties. Federal funds were used to pay for approximately 16% of the total travel costs. However, all the trips taken by the Secretary and his spouse were paid with trust funds.

In FY 2011, the Smithsonian spent \$794,606 on senior executive travel, or 6 percent of total Smithsonian-wide travel expenses. Total travel expenses for all employees account for about one percent of the Smithsonian's total expenses for FY 2011.

Travel for Development Purposes

Development at the Smithsonian is the process of raising funds through the cultivation of long-standing philanthropic relationships with individuals, corporations, and foundations. The development process is ongoing and includes several phases: discovery, cultivation, solicitation, and stewardship. Throughout this process, the Smithsonian develops relationships that may eventually result in donations of private funds to supplement funding for an array of Smithsonian programs.

In FY 2011, Smithsonian operating revenue totaled \$1.15 billion, of which \$158 million was received through contributions and private grants from individuals, corporations, and foundations. As illustrated in the following chart, the majority of the Smithsonian's operating revenue, 62%, comes from federal appropriations.



Source: Smithsonian Institution's FY2011 Annual Report

Contributions and private grants are essential for the Smithsonian to be able to undertake innovative research, expand and strengthen national collections, develop and build new facilities, open state-of-the-art exhibitions, and reach out to America's diverse communities. Many senior executives, including the Secretary and museum directors, are expected to actively participate in fundraising activities to cultivate donor relationships. The Smithsonian's Office of Advancement monitors each unit's progress towards meeting its fundraising goals. Travel is necessary to meet with donors and potential donors. In fact, as the Smithsonian plans for its national fundraising campaign, travel is expected to increase.

Smithsonian Travel Policy and Procedures

Although the Smithsonian is not a federal executive agency, Smithsonian Directive 312, *Travel*, incorporates federal regulations. This directive refers Smithsonian units to the *Smithsonian Institution Travel Handbook* (Travel Handbook). The Travel Handbook provides specific instructions for completing travel authorizations and vouchers. It also contains information on comp-time off for travel, as well as policies on spousal and sponsored travel. Sponsored travel occurs when Smithsonian employees accept financial support from an external source to fund travel expenses.

The Smithsonian uses GovTrip, a General Services Administration approved web-based system, to electronically create and process all travel authorizations, vouchers, and supporting documentation. Smithsonian employees must have an approved travel authorization in GovTrip prior to commencing any official travel. In order for travel expenses to be approved for payment, travelers must submit vouchers and attach the appropriate documentation in GovTrip upon completion of travel.

Smithsonian Management's Oversight of Travel

Board Oversight of Travel

In response to Congressional criticism, the Board of Regents formed the Governance Committee in 2007 with a mandate to comprehensively review the policies and practices of the Smithsonian and how the Board conducts its oversight of the Smithsonian. The Committee made recommendations to strengthen the culture of accountability at the Smithsonian, including travel. These recommendations were designed to improve management's ability to monitor critical operations of the Smithsonian and to hold staff, as well as themselves, more accountable.

In 2007, the Board of Regents approved the Governance Committee's recommendations and adopted the following policies in reference to executive travel:

- The Board of Regents Audit and Review (A&R) Committee will review the Secretary's travel expenses for reasonableness and compliance with Smithsonian policies. The A&R Committee will report to the Board at least annually on the results of this review, including any deviations from Smithsonian policies.
- The Chief Financial Officer (CFO) will conduct periodic audits of travel and entertainment expenses incurred by the Secretary and senior executives and report the results of such audits to the A&R Committee.

Office of the Comptroller Compliance Reviews

Beginning in FY 2008, OC's Financial Policies & Procedures Division, on behalf of the CFO, initiated compliance reviews of all senior executive travel expenses. Currently, OC performs these reviews on a quarterly basis and periodically reports its findings to the A&R Committee. Management informed us that effective December 3, 2012, the Under Secretary for Finance and Administration and Chief Financial Officer (USFA/CFO) transferred oversight of Smithsonian travel operations from OC to the Office of Contracting and Personal Property Management (OCon&PPM).

RESULTS OF AUDIT

We found that the senior executive travel and accompanying spousal travel we reviewed generally complied with applicable laws, as well as Smithsonian policies and procedures. We also found that the travel was for authorized purposes and reasonable amounts.

However, we determined that Smithsonian travel policies and procedures need to be strengthened and made consistent with federal travel rules, specifically relating to the following areas: the travel review process, comp-time off for travel, oversight of sponsored travel, purchase orders used for travel-related expenses, and Overseas Tour Renewal Agreement Travel.

Reviewing Senior Executive Travel at Appropriate Levels

We determined that travel authorizations and vouchers generally were not approved by the senior executive traveler's supervisor. Currently, travel authorizations and vouchers for most senior executives, including the Secretary, are approved by designated staff within the Office of the USFA/CFO. These approvers are organizationally removed from the traveler's unit and may be unable to assess whether the trip is essential to the performance of the traveler's responsibilities.

The Travel Handbook states that the approving official for authorizations and vouchers is the traveler's immediate supervisor. The immediate supervisor may delegate the approval authority to a peer of the immediate supervisor, a second level (or higher) supervisor, or a designated management official—never a subordinate of the traveler.

The FTR states that an agency head or an official to whom such authority has been delegated must sign a travel authorization. This authority may be delegated to any person(s) who is (a) aware of how the authorized travel will support the agency's mission, (b) knowledgeable of the employee's travel plans, or (c) responsible for the funds paying for the travel involved.

In 2010, Smithsonian management decided to consolidate the approval process for almost all senior executives (approximately 65) to one person within the USFA/CFO's office. This decision eliminated the required review and oversight of the travel within the traveler's chain of command. However, according to Smithsonian management, there are mitigating controls in place that reduce the risk of travel abuse, including the quarterly OC review.

Regarding the Secretary's travel, a Board of Regents official stated that the Board believes the USFA/CFO is the most appropriate executive manager to approve the Secretary's travel. The official also stated that the Board Chair has weekly meetings

with the Secretary in which the Secretary provides post-trip updates on his recent travel. In addition, the Board periodically receives travel compliance reports from OC on all senior executive travelers, including the Secretary.

We also reviewed practices for board oversight of the heads of five other entities including a museum, art gallery, performing arts center, not-for-profit entity, and a university in the Washington, D.C. area. We found that other boards are not involved in pre-travel review for entity heads. We confirmed that some boards perform post-trip reviews of travel for reasonableness and compliance with their respective policies.

For senior executives, we determined that Smithsonian's travel approval process is inconsistent with the principles outlined in the FTR. The current travel approver is organizationally removed from the senior executive traveler and is likely to be unaware of how the travel supports the unit's mission. In addition, there is no documented supervisory pre-review of the senior executive travel justifications. This poses a risk that senior executives could take trips that do not further the unit's mission. In the case of the Secretary, his approver is organizationally removed and is also a subordinate, which is inconsistent with both the Travel Handbook and FTR.

We are not suggesting that supervisory review is necessary for every trip taken by a senior executive because we believe that the administrative burden would be high based on the frequency of senior executive travel. Furthermore, in the case of the Secretary, having Board approval of the Secretary's travel is not administratively feasible. Consequently, for effective oversight of senior executive travel we believe that management and the Board should through a risk-based analysis develop a review process for the justification of certain trips.

Recommendations

To ensure effective oversight of senior executive travel, we recommend that the:

1. USFA/CFO develop risk-based criteria (such as cost, length of trip, or destination) to identify trips planned by senior executives that will require a prior review of the trip justification by their immediate supervisors. Revise the Travel Handbook to include the newly established criteria. Additionally, develop a process to document this review.
2. Board of Regents formalize risk-based criteria (such as cost, length of trip, or destination) to identify trips planned by the Secretary that will involve a prior review by the Board. Additionally, document the process for this review.

Improving Procedures for Earning and Documenting Comp-Time Off for Travel

The Smithsonian travelers we reviewed, including the Secretary, followed the Smithsonian comp-time off for travel policies and procedures. However, we determined that Smithsonian management needs to improve its policies by defining standards for earning and documenting comp-time off for travel to be consistent with federal travel practices. We also determined that the Board needs to reassess whether all senior executives should be eligible for comp-time off for travel, again to make the policy consistent with federal travel rules.

We found that for fiscal years 2009 through 2011, the Secretary earned approximately 376 hours of comp-time off for travel. For the same period, we found that 4 of the remaining 36 senior executives in our sample earned comp-time off for travel, collectively earning approximately 489 hours.

Comp-time Off for Travel Procedures

In accordance with the Smithsonian's Travel Handbook and Time and Attendance Handbook, all employees, including the Secretary and senior executives, are eligible to earn and accrue comp-time off for travel while traveling outside of normal duty hours. These handbooks allow travelers to earn comp-time off for travel outside normal duty hours under each of the following circumstances:

- Time spent traveling between the official duty station and a temporary duty station.
- Time spent traveling between two temporary duty stations.
- "Usual waiting time" preceding or interrupting such travel (e.g., waiting at an airport or train station prior to departure or between flights).

The Smithsonian developed its procedures from the federal regulations, which are found in 5 Code of Federal Regulations, Subpart N Compensatory Time Off for Travel. These regulations set forth the various parameters for earning comp-time off for travel. Under these regulations, hours earned must be used within one year.

These regulations also provide that the employing agency has the sole and exclusive discretion of defining what should be considered the "usual waiting time" for the traveler to earn comp-time off for travel. The regulations further provide that "usual waiting time" includes time spent at airports before scheduled departure and between connecting flights. For example, the Department of Commerce has defined "usual waiting time" as not to exceed 2 hours for domestic travel and 4 hours for international travel. Similarly, the Departments of Energy and Agriculture have adopted up to a 3 hour "usual waiting time" policy. However, the Smithsonian has not defined "usual waiting time" preceding or interrupting travel.

Because the Smithsonian's procedures did not define "usual waiting time," there was no limit to the amount of comp-time off for travel hours a traveler could earn in waiting for a flight, unlike federal agencies we reviewed. For example, one Smithsonian traveler earned 17 comp-time off for travel hours for a trip from Washington, D.C. to Nantucket, Massachusetts, most of which may have been earned while waiting for a delayed flight.

Regarding documentation of comp-time off for travel, the Smithsonian does not require that travelers maintain records to substantiate comp-time off for travel hours earned. For example, at the Departments of Energy and Commerce, employees must provide adequate documentation to the timekeeper or certifying official in accordance with each agency's policies. The Department of Commerce specifically requires employees returning from travel to provide a chronological record of travel information, including:

- Duration of the normal home-to-work commute;
- Time and place of departure (i.e., the employee's home or official duty station);
- Actual time spent traveling to and from the transportation terminal if the terminal is outside of the employee's official duty station;
- "Usual waiting time"; and
- Time of arrival at and departure from the temporary duty station.

We found that for some of the senior executive travelers who earned comp-time off for travel, the travel and time and attendance documentation did not always document the hours earned. For several trips that we reviewed, the travelers or their staff relied on trip itineraries and other supporting information to calculate hours earned, but did not maintain documentation for the calculations.

Incomplete comp-time off for travel procedures at the Smithsonian make it difficult to determine whether senior executives earned appropriate amounts of comp-time off for travel. Therefore, because the Smithsonian's procedures have not defined "usual waiting time" nor do they require supporting documentation, employees could earn comp-time off for travel in excess of what other federal agencies allow.

Senior Executives' Eligibility to Earn Comp-Time Off for Travel

We found that Smithsonian's practice of allowing all senior executives to earn comp-time off for travel is inconsistent with the federal agencies we reviewed. In addition, we found that senior executives at most similar non-profit organizations we reviewed do not earn comp-time off for travel.

According to federal regulations, employees eligible for comp-time off for travel include, but are not limited to, those in senior-level (SL) and scientific or professional pay plans. Further, the regulations exclude heads of executive branch agencies and members of the Senior Executive Service (SES) from earning comp-time off for travel.

As previously discussed, the Smithsonian Time and Attendance and Travel policies allow comp-time off for travel outside of normal duty hours. This benefit allows all salaried employees, including the Secretary and all senior executives, to earn comp-time off for travel.

Prior to October 2007, some Smithsonian senior executives, including the Secretary, did not accrue or record leave and consequently did not earn comp-time off for travel. In June 2007, the Board of Regents mandated that the Secretary transition all Smithsonian employees, including senior executives, to a leave accrual system by October 1, 2007. This transition was to ensure time and attendance accountability for senior executives. At the time there was concern that former senior executives, who did not accrue or record leave, were engaging in paid or unrelated outside activities during regular business hours. Therefore, the Governance Committee recommended that all Smithsonian employees follow the federal leave policies.

By carrying out this mandate, the Smithsonian placed all of its senior trust executives in the same leave accrual system as all other employees, including senior federal executives. Smithsonian extended to its senior trust executives the same leave benefits as its senior federal executives in the SL pay plan. As a result of this decision, the Secretary and all senior trust executives became eligible to earn comp-time off for travel.

The Smithsonian is not legally authorized to have executives in SES positions because it is not an executive agency. However, some of the Smithsonian's senior executive positions are more closely comparable to federal SES positions. OPM identifies the following functional criteria for a position to meet SES requirements:

- Directs the work of an organizational unit;
- Accountable for the success of one or more specific programs or projects;
- Monitors progress toward organizational goals and periodically evaluates and makes appropriate adjustments to such goals;
- Supervises the work of employees (other than personal assistants); or
- Exercises important policy-making, policy-determining, or other executive functions.

In addition, members of the SES system accrue leave, but are not entitled to earn comp-time off for travel. Therefore, we believe that the decision to allow the Secretary and all senior executives to earn comp-time off for travel merits reconsideration. The Smithsonian opens itself to criticism by allowing its senior executives to receive the comp-time off for travel benefit that other federal executives with similar responsibilities do not receive. Further, we believe the Board of Regents has the flexibility to define benefits that more closely align with functional responsibilities.

Recommendations

To strengthen comp-time off for travel policies, we recommend that the USFA/CFO:

3. Define the maximum hours for “usual waiting time” for comp-time off for travel earned and the appropriate method for documenting and approving comp-time off for travel. Revise both the Travel Handbook and Time and Attendance Handbooks to include the definition.

To more closely mirror the practices at federal and non-profit organizations, we recommend that the Board of Regents:

4. Reassess whether all senior executives should be eligible for comp-time off for travel.

The Board concurred with this recommendation and plans to transition the Secretary and certain senior leaders to a non-leave accrual status, referred to by the Board as “reasonable leave.” Consequently, these positions would not be eligible to earn comp-time off for travel. Furthermore, the Board stated that during the Board’s Governance and Nominating Committee’s tri-annual comprehensive governance review later this year, the Committee will consider the propriety of existing leave policies for the remaining senior executives.

As the Board moves these positions to a non-leave accrual status, we would expect that the Board in establishing a “reasonable leave policy” will include appropriate controls on leave to avoid a re-occurrence of previous time and attendance issues involving several former senior executives. In addition, we did not recommend that the Board transition executives to a non-leave accrual status. We believe that such a transition is not the only option of addressing eligibility for comp-time off for travel.

Continued Oversight for Travel Under Special Circumstances

While we did not find any travel abuse, management needs to continue its oversight of travel involving special circumstances to mitigate the risk of actual or perceived abuse. For the senior executives in our sample, including the Secretary, we reviewed the following three special circumstances that require heightened scrutiny based on risk: premium travel due to a medical condition, spousal travel, and sponsored travel.

Premium Travel Allowed Due to a Medical Condition

According to the Travel Handbook, a traveler can be upgraded to a premium class (business class when traveling internationally or first class for domestic travel) in order to accommodate a medical condition. It requires a written statement from a medical authority describing the approximate duration of the need for the special accommodation. Non-permanent conditions must be re-verified annually by the traveler. Permanent medical conditions need only be documented once.

We identified four travelers in our sample who received premium upgrades due to a medical condition. Each of these travelers, including the Secretary, provided a written statement from a physician specifying that non-coach class accommodations are required due to a medical condition.

We interviewed the Secretary and one other senior executive to reconcile the limitations caused by their medical conditions with their ability to perform certain activities while on travel, such as hiking or riding in an off-road vehicle to a remote site. These travelers provided explanations to clarify how their activities while on official travel were consistent with their medical conditions. We found that the premium upgrades for medical reasons we reviewed were compliant with Smithsonian policies and procedures.

Spousal Travel

In limited circumstances, spouses may accompany employees on official Smithsonian travel, in accordance with the policies and procedures. We identified 3 spouses whose travel expenses were paid by the Smithsonian for a total of 19 trips. The Secretary's wife accompanied him on 12 of these trips, all of which were paid for with Smithsonian trust funds. The Secretary's employment agreement specifies that there may be occasions where his wife could accompany him on official Smithsonian travel.

The Travel Handbook requires that the employee requesting spousal accompaniment submit a request in writing, demonstrating the bona fide business purpose for the spouse to travel and the manner in which such travel furthers the mission of the Smithsonian. This request must be submitted to and approved by the Smithsonian's General Counsel, the Under Secretary for Finance and Administration, and the Chief Financial Officer (the positions of USFA and CFO are currently combined) prior to each trip.

We reviewed all travel in which a spouse accompanied a senior executive on trips paid by the Smithsonian. We found that spousal travel adhered to Smithsonian policies and procedures.

Sponsored Travel

Sponsored travel occurs when Smithsonian employees accept financial support from an external source to fund travel expenses. Sponsoring organizations will either directly pay or reimburse the Smithsonian for all or partial travel expenses. Prior approval from the Smithsonian's Office of General Counsel is required for trips sponsored by for-profit organizations and foreign governments.

We reviewed 88 sponsored trips, and for most of these trips, the travel documentation in GovTrip was appropriate and prior approval was generally granted, when applicable. However, we found eight instances where sponsored trips were lacking some supporting information in GovTrip. In addition, we found two sponsored trips that were excluded from GovTrip.

Unlike federal executive agencies, the Smithsonian is not required to submit semiannual reports of travel and related expenses from non-federal sources to the Office of Government Ethics. This reporting process underscores the importance of closely tracking and monitoring travel expenses paid by non-federal sources to identify potential conflicts. Therefore, the Smithsonian should continue to closely monitor this travel to avoid conflicts.

Recommendation

To ensure continued oversight of sponsored trips, we recommend that the USFA/CFO:

5. Reinforce to Smithsonian staff that all sponsored trips should be authorized in GovTrip. In addition, reimbursements from sponsoring organizations should be recorded in GovTrip, where applicable.

Properly Documenting and Approving Travel Expenses on Purchase Orders

We found that Smithsonian staff issued purchase orders (POs) to pay travel expenses for group trips to foreign destinations that included senior executives. POs were used to procure services that included hotels, transportation, guided tours, meals, and other miscellaneous costs. According to Smithsonian management, the use of POs facilitates payments to vendors who may not accept credit cards.

However, in contrast to the travel approval process, an authorized travel approver may not review POs for travel expenses. Therefore, there is a risk that staff may circumvent Smithsonian travel policies and procedures when including travel costs in POs. Specifically, subordinates may approve POs that include travel expenses for senior executives. In addition, because these expenses do not go through the normal travel review process, they may exceed the allowable amounts.

The Travel Handbook states that the approver of a traveler cannot be the subordinate of the traveler. The Travel Handbook also states that actual meal or lodging expenses that exceed per diem (the maximum allowable rate) are allowed, but must be pre-approved in the authorization and thoroughly explained and justified in the GovTrip record. In addition, the Travel Handbook states that the receipts documenting travel expenses over \$75 must be included in GovTrip.

We identified three instances where Smithsonian staff procured group travel expenses with POs ranging from \$14,800 to \$31,300. One PO for \$31,300 for travel expenses to Azerbaijan was referenced in GovTrip, and the senior executive's

portion of travel expenses in that PO was appropriately itemized and approved in GovTrip. However, this was not the case for the other two purchase orders we reviewed.

- A PO for approximately \$19,300 was issued for travel expenses within Lima, Peru. The travelers included two senior executives and four other Smithsonian staff. We noted that the PO was approved by a subordinate of the two senior executives.

In addition, we determined that hotel expenses for four of the five nights exceeded the per diem rate. However, only one traveler, a senior executive, had obtained pre-approval for actual expenses as required. Further, only two travelers, including a senior executive, attached the PO of itemized expenses in GovTrip.

- A PO for approximately \$14,800 was issued for travel expenses within Papua New Guinea for one senior executive and one Smithsonian staff member. While the PO was attached in GovTrip, we were unable to determine whether the expenses were reasonable and justified because they were not adequately itemized. In addition, the PO was approved by a subordinate of the senior executive traveler.

Without proper oversight, the use of POs may result in violations of the Smithsonian's travel authorization and approval guidelines, increasing the risk that funds are used improperly. In light of recent news reports of inappropriate travel expenses paid by federal agencies, we believe that Smithsonian management needs to exercise greater scrutiny over the use of POs for travel expenses.

Recommendation

To ensure that travel expenses are properly authorized and approved, we recommend that the Director of OCon&PPM:

6. Revise the Travel Handbook to ensure that travel expenses paid by purchase orders are subject to the same standards of review as other travel expenses paid through the travel authorization and voucher process.

Strengthening the Requirements for Overseas Tour Renewal Agreement Travel

FTR Chapter 302 – "Relocation Allowances," outlines the policy governing Overseas Tour Renewal Agreement Travel (OTRAT). OTRAT refers to a travel allowance that permits an employee and immediate family to travel back to their place of residence in the continental United States between overseas tours of duty. Employees are eligible to receive an OTRAT allowance if they:

- a. Are on an overseas assignment, have completed a tour of duty, and satisfactorily completed their service agreement time period; and
- b. Are on an overseas assignment and have signed a new service agreement to remain at their overseas post or to transfer to another overseas post of duty; or
- c. Meet the requirements and are eligible for tour renewal travel from Alaska or Hawaii.

In addition, the FTR allows employees to travel to locations other than their original place of residence, but they will only be reimbursed for the cost to their place of residence.

Smithsonian Directives (SD) 212 and 213, *Federal Personnel Handbook* and *Trust Personnel Handbook* (Personnel Handbooks), respectively, provide the implementing guidance for the OTRAT policy. The Personnel Handbooks follow the FTR employee eligibility requirements for OTRAT. Prior to each trip back to their residence, employees must sign a service agreement to remain in service, for at least one additional year, upon return to the overseas duty stations.

Over a three year period (calendar years 2009 through 2011), the Smithsonian paid approximately \$40,000 in OTRAT allowances to 11 Smithsonian Tropical Research Institute (STRI) employees, including one senior executive. We found that the Smithsonian Personnel Handbooks do not include all requirements of a service agreement as outlined in the FTR. The Smithsonian has not developed a standard service agreement in these handbooks; therefore, STRI management developed their own service agreement. However, the STRI service agreements we reviewed did not contain the following FTR requirements:

- Employee's effective date of transfer or appointment;
- Employee's place of residence at time of appointment;
- Names of all employee dependents authorized to travel under OTRAT; and
- Employee's agreed upon period of time to remain in service.

According to management, the Office of Human Resources is revising and updating these handbook provisions and forms, as well as developing standard operating procedures.

Although OTRAT involves employee travel, we found that the Smithsonian does not reference OTRAT in its Travel Handbook. The lack of coordination between the Travel and Personnel Handbooks adds to the confusion regarding the proper implementation of the OTRAT policy. In addition, the person responsible for approving the associated travel expenses in GovTrip is unlikely to have access to or knowledge of the employee's service agreement.

These weaknesses in the Smithsonian's OTRAT policy increase the risks that travel expenses will be paid for ineligible family members, for employees not returning to fulfill their service obligation, or for excessive travel costs. For example, we identified one OTRAT trip in which an employee was reimbursed for a trip that was not to his original place of residence, but rather to a different location, at a higher cost.

Recommendations

To strengthen Smithsonian OTRAT procedures, we recommend that the Director of the Office of Human Resources:

7. Develop a standardized service agreement, in accordance with the FTR. Revise SDs 212 and 213, *Federal Personnel Handbook* and *Trust Personnel Handbook*, Chapter 591 *Allowances and Differential, Overseas Tour Renewal Agreement Travel* to incorporate the standardized service agreement. Additionally, include language in the handbooks to address OTRAT travel to destinations other than an employee's original place of residence.

We also recommend that the Director of OCon&PPM:

8. Update the Travel Handbook to include *Overseas Tour Renewal Agreement Travel* procedures, in accordance with the revised SDs 212 and 213.

APPENDIX A

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to 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.

Our audit assessed senior executive travel from FY 2009 through FY 2011 and the Smithsonian Secretary's travel between July 2008 and March 2012. Our audit also evaluated any spousal travel paid for by the Smithsonian during these periods.

To accomplish our objectives we reviewed the Federal Travel Regulations, the Office of Personnel Management comp-time off for travel guidance, and the Smithsonian's policies and procedures related to travel and time-keeping. We also reviewed the Office of the Comptroller's (OC) reviews of senior executive travel for FYs 2009 through 2011 and reports by other federal Offices of the Inspector General that have evaluated travel management. Further, we examined best practices for travel and oversight of senior executive travel at similar organizations.

We assessed the reliability of the data from the GovTrip system through extensive transaction testing and discussions with staff from OC's Travel Management Office. We determined that the data was sufficiently reliable for the purposes of this report.

We evaluated travel controls and procedures at the Smithsonian through interviews with staff from the Offices of the Board of Regents; the Secretary; the Under Secretary for Science; the Under Secretary for History, Art, and Culture; and the Under Secretary for Finance and Administration and Chief Financial Officer. We met with staff from the Offices of the Comptroller, General Counsel, Human Resources, and Advancement. We also met with selected travelers and travel approvers.

To evaluate the Comptroller's travel review process, we reviewed a judgmental sample of 169 trips taken by 36 Smithsonian senior executives and two spouses totaling \$713,894. We also reviewed 88 trips taken by the Secretary and his spouse totaling \$132,536. Because we selected a judgmental sample for our review of Smithsonian senior executives, we cannot project the results of our review to the universe of trips taken by the senior executive travelers.

To evaluate comp-time off for travel earned, we reviewed webTA (the Smithsonian's time and attendance management system) records for all senior executives in our sample. We compared dates where comp-time off for travel was recorded in webTA to corresponding trips in GovTrip. We reviewed available documentation supporting hours claimed for comp-time off for travel earned.

APPENDIX A**OBJECTIVES, SCOPE, AND METHODOLOGY (Continued)**

We identified three trips, between FY 2009 and 2011, where Smithsonian paid over \$65,000 for travel expenses through purchase orders. We contacted Smithsonian units to obtain purchase orders and supporting documentation. We evaluated these purchase orders to determine if the Smithsonian travel policies and procedures were followed regarding proper travel approval and documentation.

We conducted this performance audit in Washington, D.C. and Arlington, VA, from March through November 2012, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B

MANAGEMENT'S RESPONSE



Smithsonian Institution

Albert G. Horvath
Under Secretary for Finance and Administration/Chief Financial Officer

Date: February 25, 2013

To: Michael Sinko, Assistant Inspector General for Audits

From: Albert G. Horvath, Under Secretary for Finance & Administration/Chief Financial Officer

A handwritten signature in blue ink, appearing to read "A. G. Horvath".

Re: Response to Audit Report A-12-05, *Review of Senior Executive Travel*

Cc: Wayne Clough, Patty Bartlett, Greg Bettwy, Claudine Brown, Stacy Cavanagh, Teng Chamchumrus, Virginia Clark, Scott Dahl, Bruce Dauer, Jim Douglas, Richard Kurin, John Lapiana, Dorothy Leffler, Judith Leonard, Evelyn Lieberman, Chris Liedel, Salim Mawani, Dianne Niedner, Eva Pell, Robert Tanner, David Voyles, Cindy Zarate, Andrew Zino

We are very pleased that the Office of the Inspector General did not find any abuse of travel for the trips reviewed in this audit. We have sought to maintain a strong set of controls around this activity and continually strive to improve our policies and procedures as noted in this report.

Management's response to the recommendations in the above noted audit report is presented below. Responses to items number 2 and 4 from the Board of Regents will be provided under separate cover.

Recommendation 1

The Under Secretary for Finance & Administration/CFO (USFA/CFO) develop a risk-based criteria (such as high cost, length of trip, or international destination) to identify trips planned by senior executives that will require a prior review by their immediate supervisors. Revise the *Travel Handbook* to include the newly established criteria. Additionally, develop a process to document this review.

Management Response:

The Smithsonian has several control procedures in place to ensure that travel undertaken by all employees, including senior executives, is appropriate and reasonable. Travel is authorized prior to being taken, with the purpose of travel and estimate of costs to be incurred the key points of oversight. SI uses GovTrip, the Federal government's travel management system, and all relevant documents (invoices, itineraries, receipts) are loaded and maintained in the record of the specific trip.

APPENDIX B

MANAGEMENT'S RESPONSE (Continued)

On a quarterly basis, an internal audit of all travel completed by senior executives (approximately 60 individuals identified by the Office of Human Resources) is conducted. The results of the audit are reported to the USFA/CFO, and any exceptions are referred back to the traveler for correction. Further, the results of this quarterly audit are reported to Board of Regents' Audit and Review Committee twice each fiscal year.

To address this finding, the USFA/CFO will implement no later than March 31, 2013, a requirement for supervisory pre-approval of travel for senior executives for trips that meet one of the following criteria:

- a. Trip will last for 10 business days or longer.
- b. Cost of a single trip is projected to exceed \$6,000.

This pre-approval will be documented manually and included in the GovTrip record. A new Federal travel management system is being implemented to replace GovTrip later this calendar year. The SI Travel Office will investigate the possibility of automating this pre-approval as part of implementing this new system.

Recommendation 2

The Board of Regents develop a risk-based criteria (such as high cost, length of trip, or international destination) to identify trips planned by the Secretary that will require a prior review by the Board. Additionally, develop a process to document this review.

Management Response:

A response to this recommendation on behalf Board of Regents will be provided under separate cover.

Recommendation 3

To strengthen comp-time off for travel policies, we recommend that the USFA/CFO: define the maximum hours for "usual waiting time" for comp-time off for travel earned and the appropriate method for documenting and approving comp-time off for travel. Revise both the *Travel Handbook* and *Time and Attendance Handbooks* to include the definition.

Management Response:

The Office of Human Resources (OHR) will lead a team of key stakeholders in benchmarking the policies of other organizations to develop a proposal for approval by the USFA/CFO. Following approval, the policy will be issued via memorandum, and the Office of Contracting and Personal Property Management (OCon&PPM) will update the *Travel Handbook* and the Office of the Comptroller will update the *Time and Attendance Handbook*. The stakeholder team will be activated in February 2013, with the policy approved by the USFA/CFO by March 20, 2013 and the handbooks updated accordingly.

APPENDIX B

MANAGEMENT'S RESPONSE (Continued)

Recommendation 4

To more closely mirror the practices at federal and non-profit organizations, we recommend that the Board of Regents reassess whether all senior executives should be eligible for comp-time off for travel.

Management Response:

A response to this recommendation on behalf Board of Regents will be provided under separate cover.

Recommendation 5

The USFA/CFO reinforce to Smithsonian staff that all sponsored trips should be authorized in GovTrip. In addition, reimbursements from sponsoring organizations should be pursued and recorded in GovTrip, where applicable.

Management Response:

OCon&PPM will include as part of its quarterly SI-wide travel policy reminders, an expanded emphasis of sponsored travel policy requirements. In addition, as part of its current initiative to redesign the TMO webpage, OCon&PPM will add an electronic link to Section 3.10 of the SI Travel Handbook by April 30, 2013. Section 3.10 defines sponsored travel and explains under what circumstances a traveler must submit a Travel Authorization Clearance Form to OGC (via the traveler's supervisor and unit head).

Recommendation 6

To ensure that travel expenses are properly authorized and approved, we recommend that the Director of OCon&PPM revise the *Travel Handbook* to ensure that travel expenses paid by purchase orders are subject to the same standards of review as other travel expenses paid through the travel authorization and voucher process.

Management Response:

OCon&PPM will review its policy on use of purchase orders for senior staff travel and establish requirements which align with the standard travel authorization and voucher process by April 30, 2013.

Recommendation 7

To strengthen Smithsonian OTRAT procedures, we recommend that the Director of the Office of Human Resources (OHR) develop a standardized service agreement, in accordance with the FTR. Revise SD 212 and 213, *Federal Personnel Handbook* and *Trust Personnel Handbook*, Chapter 591 *Allowances and Differential, Overseas Tour Renewal Agreement Travel* to incorporate the standardized service agreement. Additionally, include language in the Handbooks to address OTRAT travel to destinations other than an employee's original place of residence.

APPENDIX B

MANAGEMENT'S RESPONSE (Continued)

Management Response:

OHR will develop a standardized service agreement to be used for OTRAT. The agreement has already been drafted with General Counsel's input, and will be available for use by March 20, 2013. Chapters 591 of both the Federal and Trust personnel handbooks are currently being rewritten as part of an overall review of allowances and differentials, and Human Resources will incorporate the recommended changes to incorporate language about the OTRAT service agreement and to address OTRAT travel to destinations other than an employee's original place of residence. Those changes will need to go through the Institution's directives management process, and we anticipate a draft directive to the group by May 31, 2013, with final approval by or before the end of FY 2013. Should other issues delay the issuance of Chapters 591; the USFA will issue the OTRAT changes via memorandum by September 30, 2013.

Recommendation 8

We also recommend that the Director of OCon&PPM update the *Travel Handbook* to include *Overseas Tour Renewal Agreement Travel* procedures, in accordance with the revised SD 212 and 213.

Management Response:

OCon&PPM will update the *Travel Handbook* as it relates to OTRAT in accordance with the changes to Chapters 591 of the Federal and Trust personnel handbooks. Those changes would be made following the official changes to the policy, and thus would be made by December 31, 2013.

APPENDIX C

THE BOARD OF REGENTS' RESPONSE



The Board of Regents | Governance and Nominating Committee

March 8, 2013

Scott S. Dahl
Inspector General
Smithsonian Institution
P.O. Box 37012
Washington, D.C. 20013

Dear Mr. Dahl:

On behalf of the Board of Regents, we are gratified that the Office of Inspector General audit of senior executive travel found no abuses or material violations of Smithsonian policies; the trips reviewed were for authorized purposes; and travel expenses incurred were reasonable.

Since adopting our governance reforms in 2007, the Regents and Smithsonian management have implemented a number of practices to enable better oversight and administration of travel. With the results of this audit, we believe that these travel policies and procedures have been proven effective.

As stewards of a public trust, we always welcome ways to improve oversight and promote the best use of valuable Smithsonian resources. In that regard, you directed two recommendations to the Regents.¹ The Board asked the Governance and Nominating Committee to lead the Regents' response:

- 1. Recommendation:** "To ensure effective oversight of senior executive travel, we [OIG] recommend that the . . . Board of Regents formalize risk-based criteria (such as cost, length of travel, or destination) to identify trips planned by the Secretary that will involve prior review by the Board. Additionally, document the process for this review."

Response: Concur. The Smithsonian is increasingly a global organization and the Regents firmly believe that travel by the Secretary outside Washington, D.C. promotes public understanding of the Smithsonian and helps it compete for scarce resources. As we prepare for a national campaign, the need for the Secretary to meet with donors and other benefactors will no doubt grow.

We appreciate that the report acknowledges practices already in place for review of the

¹ Six other recommendations were directed to management and were addressed in a separate memorandum from the Under Secretary for Finance and Administration/Chief Financial Officer. The Board appreciates the regular briefings that were provided by the Under Secretary and his staff on the preparation and contents of the management response.

APPENDIX C

THE BOARD OF REGENTS' RESPONSE (Continued)

Secretary's travel. For example, we granted the CFO, who has an independent reporting requirement to the Board, authority to preapprove and monitor travel expenses incurred by the Secretary. Senior executive travel, including the Secretary's, is regularly reported to the Audit and Review Committee. During the annual compensation review process, the full Board is provided with information on all of the Secretary's travel for the prior year. The Secretary also regularly briefs the Chair and the Executive Committee on upcoming or recently completed travel and its impact on advancing the Smithsonian's mission. As the results of the audit underscore, these safeguards have proven to be successful and effective.

As the audit recommends, and pursuant to our subsequent discussions with you, the Governance and Nominating Committee will document this process and identify factors that the Board already considers in reviewing the Secretary's travel agenda as part of our comprehensive tri-annual review of the Regents' governance reforms. The Inspector General regularly attends our Committee meetings and we look forward to your contributions to our deliberations on this topic.

Timeframe: The Governance and Nominating Committee anticipates completing its documentation of the travel review process on or before April 30, 2013.

2. **Recommendation:** "To more closely mirror the practices at federal and non-profit organizations, we recommend that the Board of Regents . . . reassess whether all senior executives should be eligible for comp-time off for travel."

Response: Concur. In response to your recommendation regarding eligibility for compensatory time for travel, the Board approved the following motion on March 1, 2013:

VOTED that the Board of Regents concurs with the recommendation of the Inspector General to reassess the travel policy for the Secretary and, pursuant to that reassessment, adopts the Governance and Nominating Committee's recommendation to place the Secretary and certain senior Trust executives on a leave policy aligned with those of other Federal agencies for Presidentially Appointed, Senate Confirmed positions. The Board further directs that the Governance and Nominating Committee reassess the propriety of existing leave policies for other senior Trust executives.

We note that prior to our 2007 governance reforms, the Secretary and some senior Trust executives were on an unlimited leave system. To address abuses of that system by former executives, the Board placed all Trust executives on the same accrued leave system already in place for Smithsonian Federal senior level (SL) staff and prohibited their service on corporate boards.

Shortly thereafter, the Government Accountability Office (GAO) stated in its review of

APPENDIX C

THE BOARD OF REGENTS' RESPONSE (Continued)

the implementation of the Regents' governance reforms that

[t]he Board also implemented a recommendation to place all Smithsonian executives on the Smithsonian's existing leave policy. This effectively addressed a concern that some Smithsonian executives were exempt from the generally applicable leave accrual system.²

The audit report observes that allowing senior executives to earn compensatory time for travel "open[s] the Smithsonian] up to criticism." While we believe additional research is necessary to conclude that this is a "travel benefit that other federal executives with similar responsibilities do not receive," the Board concurs with the overall recommendation to reassess applicable travel and timekeeping policies and eliminate, where appropriate, eligibility for compensatory time for travel.

Accordingly, the Governance and Nominating Committee considered leave and timekeeping policies from across the Federal government and certain nonprofit organizations. Following the audit report's suggestion, we compared the "functional responsibilities" and expectations of Smithsonian senior executives with those of other senior Federal executives.

We reviewed both the Federal SL and Senior Executive Service (SES) leave and timekeeping systems and concluded that neither adequately reflects the Board's expectations for these executives. Instead, we found that their responsibilities are often more closely akin to those of the Secretary, Administrator, or Director of a Federal department or agency and their senior leadership.³ These Federal executives, referred to as Presidentially Appointed, Senate Confirmed, are assumed to be always on the job and consequently are subject to a reasonable leave policy. They do not earn compensatory time for travel or accrue annual or sick leave. Instead, they are permitted to take reasonable leave as their workloads may permit. The Board has adopted the Committee's recommendation to immediately place the Secretary on a similar leave system to reflect the "24/7" nature of the position.

Pursuant to the further Board's direction and as part of its tri-annual governance review, the Governance and Nominating Committee will next consider the applicability of the

² Government Accountability Office, "Smithsonian Institution: Board of Regents Has Implemented Many Governance Reforms, but Ensuring Accountability and Oversight Will Require Ongoing Action" [May 2008], at pp. 14–15.

³ This comparator group includes the Secretaries, Administrators, and Directors of Federal agencies, as well as also Deputy Secretaries, Under Secretaries, and many Assistant Secretaries, a number of whom are also Presidentially Appointed, Senate Confirmed.

APPENDIX C

THE BOARD OF REGENTS' RESPONSE (Continued)


accrued leave policy for the Secretary's senior leadership team.⁴ Following that, the Committee will reassess the propriety of existing leave policies (including compensatory time for travel) for senior executives at major Smithsonian museums, research centers, and administrative units.⁵ As the report recommends, we will also look more closely at the practices of nonprofit organizations with regard to these executives.

The Committee will document effective controls to oversee the implementation and monitoring of a reasonable leave policy. The prohibition on outside corporate board service by senior executives remains in effect.

Timeframe: The Governance and Nominating Committee anticipates completing its review, and implementing any recommendations, on or before June 30, 2013.

On behalf of the Board of Regents, I appreciate your staff's contribution to ensuring that the Smithsonian continues to be a leader in nonprofit governance.

Sincerely,



Roger W. Sant
Chair

⁴ These positions are: Assistant Secretary for Education and Access; Chief of Staff to the Secretary; Director of Advancement and Philanthropic Giving; Director of Communications and External Affairs; General Counsel; President, Smithsonian Enterprises; Under Secretary for Finance and Administration/Chief Financial Officer; Under Secretary for History, Art, and Culture; Under Secretary for Science.

⁵ The Committee concluded that Presidentially Appointed, Senate Confirmed positions at other comparable Federal agencies were generally closer in functional nature to the Secretary's and certain senior Trust executives than those of the Federal Senior Executive Service (SES). The Committee limited its consideration to senior Trust executives; Smithsonian management believes that its Federal Senior Level executives are governed by leave policies established by the Office of Personnel Management.

APPENDIX D**MAJOR CONTRIBUTORS TO THIS REPORT**

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Teena Propst, Auditor-in-Charge
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