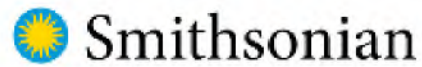OFFICE OF THE
INSPECTOR GENERAL

Smithsonian

Grants Management:
Opportunities Exist to
Improve Sponsored Project
Administration and
Oversight

Smithsonian Institution Building
(The Castle)

OIG-A-25-06
June 26, 2025

i

In Brief

Grants Management: Opportunities Exist to Improve Sponsored Project Administration and Oversight

OIG-A-25-06, June 26, 2025

Background

The Smithsonian Institution (Smithsonian) relies on funding from external sponsors such as governments, foundations, and corporations to support projects that further its mission to increase and diffuse knowledge.

The Office of Sponsored Projects (OSP) provides centralized support, guidance, and training for Smithsonian units receiving sponsored project funding. Together they manage sponsored projects in compliance with Smithsonian policies and procedures and sponsors' terms and conditions.

OSP oversaw $189 million in sponsored project funding provided during fiscal years 2022 and 2023.

What OIG Did

This audit determined the extent to which OSP and recipient units complied with: (1) Smithsonian policies and procedures and (2) sponsors' terms and conditions concerning administering and overseeing sponsored projects.

OIG reviewed a sample of 25 sponsored projects totaling $33.8 million—approximately 18 percent of sponsored project funding provided through OSP in fiscal years 2022 and 2023. OIG also analyzed OSP's sponsored project universe for balances and transactions determined to be of higher risk of noncompliance.

What OIG Found

During the two fiscal years under audit, OSP managed a 65 percent increase in sponsored project funding while maintaining high-quality service reported by Smithsonian units. However, OIG identified opportunities to improve the administration and oversight of projects throughout their lifecycle.

Proposal Preparation. Units did not obtain the required Smithsonian approvals for 16 of the 25 sampled projects before applying for project funds. Of these 16 projects, units misidentified 10 projects as gifts or contracts and did not obtain OSP's timely approval for the 6 other projects. As a result, Smithsonian risked committing to terms that were inconsistent with its mission and internal policies.

Administration. During the project period, the Smithsonian did not always comply with Smithsonian policies or sponsors' terms as follows:

- For two sampled projects, units charged payroll costs that were inconsistent with Smithsonian's timekeeping policies. OIG questioned $239,774 of payroll costs because units recorded time based on budgets or spread across the period of performance rather than recording the actual time worked each pay period.

- For three sampled projects, units charged costs for events, public relations, and research with unclear connections to the projects. OIG questioned $103,385. For one project Smithsonian refunded $4,743 to the sponsor. Management is reviewing the remaining two projects totaling $98,642.

- On multiple government-funded projects, units charged catering costs that were disallowed by Smithsonian policies regardless of the sponsors' terms. OIG questioned $118,238 that was noncompliant with the policies. As a result, OSP updated policies to allow food costs on government projects when the sponsor specifically permits it, and OSP is in the process of verifying the allowability of the identified questioned costs.

- For 20 of the 25 sampled projects, units did not conduct financial reviews and reconciliations in accordance with Smithsonian policies. Several factors contributed to inconsistent financial management: 1) no required sponsored project financial training for unit personnel, 2) staffing constraints, 3) insufficient written guidance on documentation requirements, and 4) no periodic monitoring performed by OSP to ensure that units comply with policies.

- Two units submitted 3 required reports 33 to 297 days late to the sponsor due to misunderstandings of project terms and reporting responsibilities.

Closeout. OSP did not have sufficient procedures to efficiently and effectively resolve project balances and internally close projects, resulting in sampled projects closing up to 792 days after the project's end date. Further, OIG analysis identified several projects with the following unresolved balances after the projects' end dates:

- **$3,833,459 of available project balances**. In March 2023, OSP identified $642,830 of the $3,833,459 as cash balances requiring resolution, but these balances were still not resolved as of January 2024. According to the OSP Deputy Director, the remaining $3,190,629 could represent unspent cash due back to the sponsor, cash eligible for repurposing by the unit, or budget balances that were not received and not used.

- **$702,362 of receivable balances.** OIG estimates that approximately $30,000 represents true receivables, and the remaining amount indicates that: (1) payments from the sponsors were applied to the incorrect project or account, or (2) the Smithsonian did not resolve historical receivable errors in the financial system.

- **$159,120 of encumbered and pre-encumbered funds.** Encumbered and pre-encumbered funds are the amounts available to distribute or are planned purchases. These balances existing after the project's end date present a risk that the Smithsonian will charge unrelated expenses to projects.

Inefficient closeout processes can result in improperly retaining funds due back to sponsors, missing the opportunity to use all available project balances, and delaying the repurposing of funds for better use.

General Oversight. OSP did not memorialize all key internal review and monitoring controls in written policies and procedures, such as monthly reviews of project activity and balances.

What OIG Recommended

OIG made 13 recommendations to improve compliance with Smithsonian policies and procedures and with sponsors' terms and conditions for the sponsored project program. Management concurred with 12 of the recommendations and partially concurred with 1 recommendation due to not identifying receivable balances that could be put to better use.

For a copy of the full report, visit https://oig.si.edu

OFFICE OF THE
INSPECTOR GENERAL

Smithsonian

Memo
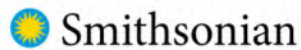
Date: June 26, 2025

To: Ron Cortez, Under Secretary for Finance and Administration and Chief Financial Officer
Karen Otiji, Director, Office of Sponsored Projects (OSP)

Cc: Kevin Gover, Under Secretary for Museums and Culture
Ellen Stofan, Under Secretary for Science and Research
Monique Chism, Under Secretary for Education

From: Nicole L. Angarella, Inspector General

Signed by:
Nicole Angarella
6E3A9C42718646B

Subject: Grants Management: Opportunities Exist to Improve Sponsored Project Administration and Oversight (OIG-A-25-06)

This memorandum transmits our final audit report on the Smithsonian's administration and oversight of the sponsored projects program—excluding the Smithsonian Astrophysical Observatory. The objectives of this audit were to determine the extent to which OSP and recipient units complied with: (1) Smithsonian's policies and procedures and (2) the sponsors' terms and conditions concerning administering and overseeing sponsored projects.

We made 13 recommendations for Smithsonian management to improve compliance with Smithsonian policies and procedures and with sponsors' terms and conditions for the sponsored project program. Management concurred with 12 recommendations and partially concurred with 1 recommendation related to identifying receivable balances that could potentially be put to better use.

We appreciate the courtesy and cooperation of all Smithsonian management and staff during this audit. If you have any questions, please contact me or Joan Mockeridge, Assistant Inspector General for Audits, Inspections, and Evaluations.

Table of Contents

Figures

Tables

Abbreviations

AIB	Arts and Industries Building
ERP Financials	Enterprise Resource Planning Financial System
Grants Module	Enterprise Resource Planning Grants Module
National Zoo	Smithsonian National Zoo and Conservation Biology Institute
NMAI-NY	National Museum of the American Indian in New York City
NMAL	National Museum of the American Latino
NPG	National Portrait Gallery
NPM	National Postal Museum
OIG	Office of the Inspector General
OSP	Office of Sponsored Projects
PI	Principal Investigator
SAO	Smithsonian Astrophysical Observatory
SD	Smithsonian Directive
Smithsonian	Smithsonian Institution
SSEC	Smithsonian Science Education Center
STEM	Science, Technology, Engineering, and Math

Introduction

The Smithsonian Institution (Smithsonian) relies on funding from external sponsors such as governments, foundations, and corporations to support projects that further its mission to increase and diffuse knowledge. The Office of Sponsored Projects (OSP) provides administrative and financial management services for all Smithsonian units receiving sponsored project funding, except for the Smithsonian Astrophysical Observatory (SAO).[1]

When OSP was established in 1989, it oversaw 35 projects totaling approximately $6.5 million. OSP's project activity reached $103 million from 284 sponsored projects awarded in fiscal year 2023—the largest amount ever recorded through the program, as shown in Figure 1. New project collaborations with other federal agencies and the creation of two new museums, the National Museum of the American Latino (NMAL) and the Smithsonian American Women's History Museum, contributed to the rapid increase in activity. With this increase in sponsored project funding comes a greater responsibility to ensure that the Smithsonian stewards these funds in compliance with its internal policies and procedures and with the terms and conditions of each sponsor's agreement.

Figure 1. Sponsored Project Funding Awarded from Fiscal Years 2019 through 2023
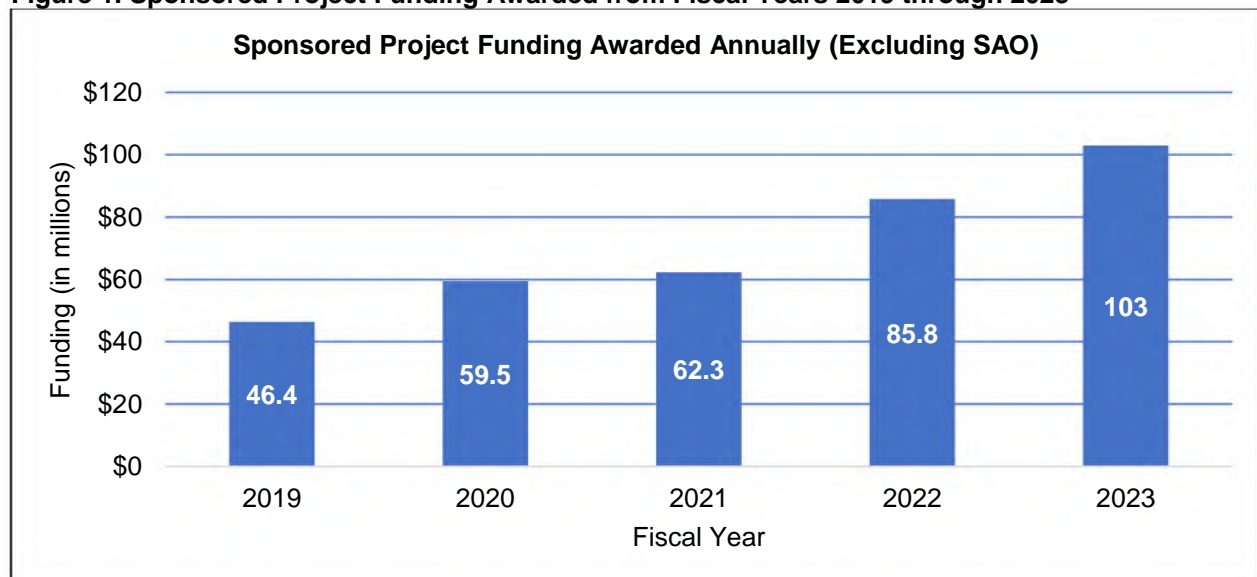
Source: OIG-generated based on OSP's annual reports.

The objectives of this audit were to determine the extent to which OSP and recipient units complied with: (1) Smithsonian's policies and procedures and (2) the sponsors' terms and conditions concerning administering and overseeing sponsored projects.

To assess the effectiveness of controls over the sponsored project program as well as compliance with Smithsonian's policies and procedures and sponsors' terms and conditions, the Office of the Inspector General (OIG) sampled 25 sponsored projects awarded during fiscal

---

[1] SAO researches astronomy and astrophysics in Cambridge, Massachusetts. SAO's internal team of grant specialists is responsible for administering the SAO-sponsored project program.

years 2022 and 2023. Our work focused on project administration and oversight. The sampled projects totaled $33,779,594, which represents 18 percent of the $188,793,954 in sponsored projects provided to the Smithsonian, excluding SAO, during fiscal years 2022 and 2023. For each sample item, OIG evaluated project initiation, financial review and reconciliation of project expenses, project billing and receipt of funds, external reporting, and closeout.

OIG also analyzed the sponsored project universe for balances and transactions judgmentally determined to be at higher risk of non-compliance with Smithsonian's policies and procedures and the sponsors' terms and conditions.

OIG conducted this audit in Washington D.C from October 2023 to June 2025, in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on its audit objectives. For a detailed description of OIG's objectives, scope, and methodology, see Appendix I.

Background

The Smithsonian is the world's largest museum, education, and research complex, consisting of 21 museums and the Smithsonian National Zoo and Conservation Biology Institute (National Zoo). It has a decentralized structure in which units carrying out mission-oriented programs are supported by centralized administrative departments. OSP serves as the centralized department for administrative and financial management services, guidance, and training for the sponsored project program.

Smithsonian Directive (SD) 321, *Review and Submission of Proposals For Externally Funded Sponsored Projects,* defines a sponsored project as "a research, education, public outreach, collections-related, exhibition-related, construction, or other project supported by external funds received by the Institution…and for which the Institution is accountable."

Figure 2. *Photo - Bust of Charlotte Cushman by Shakespeare Wood*

Image Credit: OIG photo.

A sponsored project may be a grant, contract, cooperative agreement, purchase order, or interagency agreement and generally involves at least one of the following elements:

- A required technical and/or financial report;

- Guidelines, applications, and/or procedures for requesting support published by the sponsor;

- Specifications for project performance or outcomes; or

- A restriction on funds for project use.[2]

For example, the National Portrait Gallery (NPG) received sponsored project funding of $75,000 to reinstall an exhibit, demonstrating a comprehensive narrative of American art history and increasing audience engagement through biligual interpretive material. As part of the sponsored project agreement, NPG was required to use the funds solely for the purpose of the project and submit a final report to the sponsor. Furthermore, the grantor could have required NPG to repay funds if the purpose of the project had been fully completed without using all funds. Figure 2 depicts an example of an art piece featured in the exhibit with a bilingual label in English and Spanish.

---

[2] SD 321, *Review and Submission of Proposals For Externally Funded Sponsored Projects.* Definitions. (December 18, 2017). OIG used the 2017 version of SD 321 applicable to the period under audit, but OIG also referred to the version dated September 2024 for updates that could impact the audit.

Roles and Responsibilities for Sponsored Projects

OSP's *Sponsored Projects Handbook* outlines that roles and responsibilities for sponsored projects are primarily divided between OSP and the recipient unit of the sponsored project. Key OSP personnel include OSP Pre-Award Grant Administrators and OSP Post-Award Financial Analysts; key unit staff include unit Principal Investigators (PIs) and unit Fund Managers. Table 1 shows the primary roles and responsibilities in the sponsored project process.

Table 1. Key Responsibilities

OSP Responsibilities	Unit Responsibilities
OSP Pre-Award Grant Administrators: • Assist units with proposal preparation and submission. • Review, negotiate, and accept project agreements. • Set up projects in the Enterprise Resource Planning Grants Module (Grants Module). • Distribute the project summary email with project information, responsibilities, and relevant guidance to the unit PI and unit Fund Manager.	**Unit PIs:** • Draft project proposals for approval by supervisors, Unit Directors, and the OSP Director using an internal Proposal Brief Form. For a copy of the form, see Appendix II. • Ensure project compliance, including developing and submitting technical reports, submitting other reports as applicable, and monitoring project activity. • Post all expenses and liquidate encumbrances within 30 days of project end to close the project.
OSP Post-Award Financial Analysts: • Review and finalize projects' set up in the Grants Module.[a] • Prepare project billings, prepare and submit financial reports when applicable, and monitor project expense activity. • Close the project and coordinate the resolution of project balances.[a]	**Unit Fund Managers:** • Provide administrative support for unit PIs, such as procuring unit PI-approved purchases, maintaining financial records, and performing quarterly expense reviews and reconciliations. • Assist unit PIs with posting expenses and liquidating encumbrances within 30 days of the project's end.

Source: Compiled by OIG based on the *Sponsored Projects Handbook* and interviews with sponsored project personnel.

Note:
[a] For interagency agreements, the Office of Finance and Accounting assists with project setup and project closeout upon notification from OSP.

Four Phases of the Sponsored Project Lifecycle

The *Sponsored Projects Handbook* presents four phases of a sponsored project, as illustrated in Figure 3.

Figure 3. Sponsored Project Lifecycle

Proposal Preparation	Project Negotiation & Acceptance	Project Administration	Project Closeout
• Prepare, review, and approve the proposal and budget prior to submission to the sponsor.	• Review and negotiate project terms. • Accept the project agreement. • Set up the project in the Grants Module.	• Send interim reports and billings to sponsors. • Review and reconcile project expenditures.	• Post final expenditures to the project. • Send final reports and billing to the sponsor. • Close out the project in the Grants Module.

Source: Compiled by OIG based on the *Sponsored Projects Handbook* and interviews with sponsored project personnel.

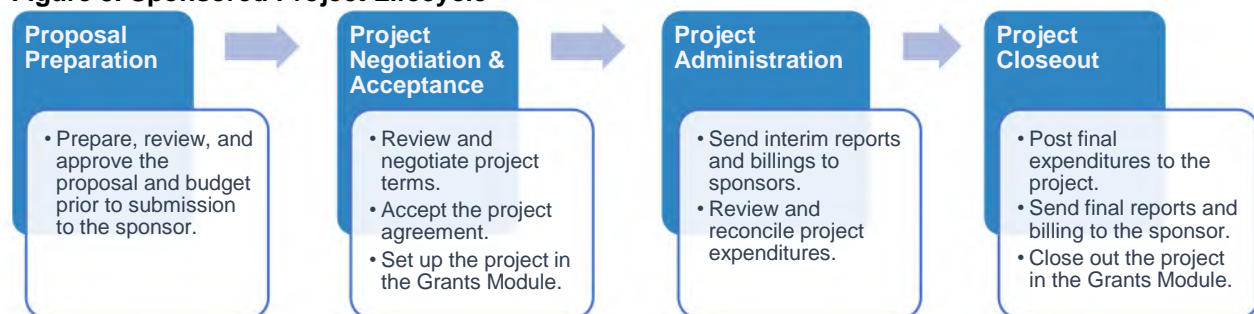**Proposal Preparation Phase.** The unit prepares a proposal and budget that are reviewed by OSP. Unit supervisors, unit directors, and the OSP Director (or designee) document approval of the proposed project on an internal Proposal Brief Form prior to the submission of a proposal to the sponsor.[3] For a copy of the Proposal Brief Form, see Appendix II.

Project Negotiation and Acceptance Phase. OSP reviews the project agreement received from the sponsor prior to the project's acceptance by the OSP Director on behalf of the Smithsonian. During this phase, OSP Pre-Award Grant Administrators may have to negotiate with the sponsor to ensure that specific terms are included in the agreement, such as adhering to research standards and allowing indirect costs. When the project agreement is accepted by the sponsor and the Smithsonian, OSP sets up the sponsored project in the Enterprise Resource Planning Grants Module (Grants Module) with a unique designated code, project milestones, budget, and other required items.[4]

Project Administration Phase. OSP and the recipient Smithsonian units administer sponsored projects in accordance with the project agreements. OSP prepares and coordinates the submission of billings and financial reports when required by the project. Units prepare and submit technical reports to sponsors, perform quarterly expenditure reviews, maintain expenditure records, and complete quarterly reconciliations.[5]

Project Closeout Phase. Recipient units post all final expenses in the Enterprise Resource Planning Financial System (ERP Financials), liquidate open encumbrances within 30 days of the project's end date, and submit the final technical report to the sponsor. OSP prepares and submits the final financial report and the final billing to the sponsor, if applicable. OSP and the units also resolve any remaining cash balances in accordance with sponsor requirements.[6] According to OSP Deputy Director, OSP then sets the budget status in ERP Financials to "Closed" to prevent further adjustments and expenses on the project. OSP uses a Post Award Financial Closeout Checklist to verify that: (1) all reports and invoices were submitted; (2) all encumbrances, receivables, cash, and available balances are zero; (3) the budget status is closed; and (4) all related documentation has been filed. For a copy of the Post Award Financial Closeout Checklist, see Appendix III.

Systems Used in the Sponsored Projects Program

OSP uses a module in ERP Financials known as the Grants Module, which contains key information about the project, such as the budget, project period, key personnel, reporting requirements, and milestone dates. According to the Office of the Chief Information Officer, the Grants Module is integrated with ERP Financials in the following ways:

---

[3] *Sponsored Projects Handbook*, Chapter Five – Proposal Narrative Preparation, Chapter Six - Proposal Budget Preparation, and Chapter Seven – Proposal Approval and Submission. (September 29, 2022).
[4] *Sponsored Projects Handbook*, Chapter Ten – Negotiation and Acceptance of Award. (September 29, 2022).
[5] *Sponsored Projects Handbook*, Chapter Eleven – Program Administration of Award and Chapter Twelve – Financial Administration of Sponsored Awards. (September 29, 2022).
[6] *Sponsored Projects Handbook*, Chapter Fourteen – Sponsored Projects Award Close-Out. (September 29, 2022).

- When OSP establishes the project in the Grants Module, each project is automatically assigned a designated code in ERP Financials. Units use the designated code to track expenses on the project and run budget versus actual reports in ERP Financials.

- The project period dates entered in the Grants Module by OSP govern the budget status in ERP Financials. Between the start and end dates entered into the Grants Module, the budget status is automatically "Open" in ERP Financials, allowing the unit to expense project funds. When the project period ends, the budget status automatically shifts to "Hold," which prevents units from creating new expenses but allows them to expense existing encumbrances and make adjustments. When OSP completes financial reporting and resolves any surplus or deficit funds on a project, the OSP Post-Award Financial Analyst sets the budget status to "Closed," which prevents any further expenses and adjustments on the project.

Only OSP has access to the Grants Module to administer non-SAO sponsored projects. OSP segregates duties to ensure that an OSP staff member cannot both create and finalize projects in the Grants Module.

Results of Audit

This audit identified the following challenges with the management of the various phases of the sponsored project process and general oversight of the program:

- **Proposal Preparation**. Units did not always obtain the required Smithsonian approvals before applying for project funds from sponsors.

- **Negotiation & Acceptance.** As a result of not obtaining required approvals, this phase was bypassed or delayed.

- **Administration**. The Smithsonian did not always comply with its policies or the sponsors' terms when administering sponsored projects. As a result, OIG questioned $461,397 in costs ($239,774 of payroll costs, $103,385 of costs with unclear connections to the project, and $118,238 of catering costs on government projects). Additionally, units did not consistently perform and document financial management procedures and did not submit all reports to sponsors by the due dates.

- **Closeout**. OSP did not have sufficient procedures to close out projects efficiently and effectively.

- **System Access**. Three Smithsonian personnel had improper access privileges in the Grants Module.

- **Documented Policies and Procedures.** OSP did not memorialize all key internal review and monitoring controls in written policies and procedures.

OSP and recipient units share responsibility for the identified findings. However, the issues noted in this report may have been exacerbated by the challenges of managing a 65 percent increase in sponsored project funding from fiscal year 2021 through fiscal year 2023. Despite the increased workload and the challenges described in this report, several units commended OSP's sustained fast response times and knowledgeable personnel. Unit PIs and unit Fund Managers interviewed during the audit stated that OSP has been helpful in the grant writing process, efficient with setting up new projects, and readily available to answer questions on both pre-award and post-award matters.

These testimonies demonstrate OSP's commitment to provide high-quality service to the units they support.

Unit Principal Investigators Did Not Obtain Required Approvals for Nearly Two-thirds of Sampled Projects

During proposal preparation, units did not obtain required approvals for 16 of the 25 sampled projects (64 percent). Unit PIs are required to obtain OSP and unit-level approvals for projects prior to submitting proposal applications to the sponsor, but units submitted proposals to

sponsors themselves or through their unit advancement personnel without documented approvals.

SD 321, *Review and Submission of Proposals for Externally Funded Sponsored Projects*, requires unit PIs to submit their proposals for externally funded support through OSP for approval. OSP documents the approval using the Proposal Brief Form, which must be signed by the: (1) unit PI; (2) unit PI's supervisor; (3) unit director; and (4) OSP Director prior to the proposal's submission to the sponsor. According to SD 321, these approvals show OSP's and the unit management's acknowledgement that: (1) the unit PI has the knowledge and ability to manage the project; (2) the unit has the resources to fulfill the project's requirements; and (3) the project aligns with Smithsonian policies regarding integrity of research, appropriateness to Smithsonian's mission, adherence to financial and personnel policies, and conflicts of interest.[7]

The following factors contributed to the improper initiation of sponsored projects:

- **Misidentification of Sponsored Projects.** Ten sampled projects were initiated as gifts or contracts rather than as sponsored projects that OSP must approve. Unit personnel provided varying understandings of the difference between sponsored projects and gifts. For example, a Smithsonian Affiliations PI stated that they believed that smaller projects were all gifts, and an NPG Gifts Officer incorrectly remarked that all projects below $10,000 were considered gifts. These two units did not properly initiate their two sampled projects through OSP.

- **Untimely Approvals.** In six other samples, the units correctly identified proposals as sponsored projects but did not submit their approved Proposal Briefs to OSP in a timely manner. As a result, OSP had to follow up with the units to complete the approvals and set up the projects in the Grants Module after execution of the project agreement.

Although OSP offers voluntary training called "Classifying Incoming Funds" that is open to all Smithsonian personnel, it is not comprehensive over the project initiation process or mandatory.

If OSP is not involved from the inception of a sponsored project, the Smithsonian risks not complying with the sponsor's terms and conditions and committing the Smithsonian to terms and conditions that conflict with Smithsonian policies. In addition, improperly initiated projects can lead to delays and concessions because OSP may need to negotiate with sponsors after agreements have been signed. For example, a sampled $3 million project improperly initiated as a gift did not include Smithsonian's standard 10% indirect cost rate even though the sponsor's policies allowed indirect costs.[8] As a result, the Smithsonian missed the opportunity to potentially recover indirect costs totaling $300,000.

---

[7] SD 321, *Review and Submission of Proposals For Externally Funded Sponsored Projects.* Purpose and Responsibilities. (December 18, 2017).

[8] Indirect costs are budgeted into sponsored project agreements to cover overhead costs needed to administer Smithsonian's projects as required by SD 304, *Cost Recovery on Sponsored Projects*.

The Smithsonian Did Not Consistently Comply with Smithsonian Policies or Sponsors' Terms during Project Administration

The Smithsonian did not always comply with Smithsonian policies or sponsors' terms when administering sponsored projects. Therefore, OIG questioned $239,774 in payroll costs due to timekeeping inconsistent with Smithsonian policies, $103,385 of costs that had unclear connections to the sponsored projects, and $118,238 of catering costs on government projects. Additionally, units did not provide consistent financial management of projects and did not submit all required reports to sponsors on time.

OIG Questioned $239,774 in Payroll Costs on Sponsored Projects

The Arts and Industries Building (AIB) and the Smithsonian Science Education Center (SSEC) charged unit staff time inconsistent with timekeeping policies for 2 of the 25 sampled projects (8 percent), totaling $239,774, as shown in Table 2.[9] The *Sponsored Projects Handbook* states that employees' timesheets record the actual time spent on the project.[10] However, AIB and SSEC's project personnel did not follow this requirement.

Table 2. Questioned Payroll Costs Charged to Sponsored Projects

Unit	Sponsored Project Code	Direct Questioned Cost	Indirect Questioned Costs	Total Questioned Costs
Arts and Industries Building	505247	$143,500	$14,350	**$157,850**
Smithsonian Science Education Center	505223	74,476	7,448	**81,924**
Total Questioned Payroll Costs		**$217,976**	**$21,798**	**$239,774**

Source: OIG analysis of questioned costs.

First, AIB charged all the salaries and benefits of 5 employees over 12 weeks to Project 505247—a statue exhibit celebrating women in science, technology, engineering, and math (STEM). Four of these weeks occurred after the deinstallation of the exhibit. The five employees' total salaries and benefits accounted for $157,850 of the project's total funding of $484,550 (33 percent); however, two of the five employees estimated they spent only 8 to 17 percent of their time on the project during this period. A third employee stated that they worked mostly before the project's official start date to set it up and after the project concluded to adjust invoices. OIG was unable to interview the other two employees because they no longer worked for the Smithsonian at the time of audit procedures. The employees did not track their actual project-related time on timesheets. Rather, the AIB Fund Manager adjusted each employee's time after the project ended to use the project's remaining available salary budget. A former Administrative Officer with AIB stated that AIB did not specifically track costs on Project 505247 because AIB viewed it as part of a larger exhibit—the *FUTURES* exhibit, which focused on art, technology, and design of the future. However, because Project 505247 had distinct exhibit

---

[9] OIG did not test all personnel for each sampled project; therefore, there could be additional issues unidentified by the audit. For further details on testing methodology, see Appendix I.
[10] *Sponsored Projects Handbook*, Chapter Six – Proposal Budget Preparation. (September 29, 2022).

dates and activities that could be isolated from the larger *FUTURES* exhibit, the costs should have been tracked separately.

Second, two SSEC administrative personnel charged $81,924 in payroll costs to Project 505223—an $830,000 project for educational programs from January 1, 2022 to December 31, 2022, but they did not charge the actual time they worked on the project each pay period. One administrative staff member estimated that they primarily worked at the beginning and end of the project, and less than 25 percent of their time was dedicated to the project during those periods. However, the unit's salary and benefits tracking report showed no time charged during the first five months of the project and a significant percentage of the individual's time charged at the end of the project. The second administrative staff member stated that they do not always charge actual time to the projects on each timesheet because they sometimes work on 15 or more projects in a single pay period, and charging actual time would have presented an administrative burden. The OSP Deputy Director and SSEC management stated that when looking at the project's full period of performance, they believe that the overall time charged by each administrative employee accurately reflects the work performed on the project. However, the *Sponsored Projects Handbook* requires the actual time tracked at the timesheet level, not estimated across the period of the project.

Although the time charged may be eligible costs to these projects, the exact amount is indeterminate due to the inability to rely on the timesheets. Therefore, OIG questioned costs totaling $239,774, which represents the total cost the employees charged to the project, as shown in Table 2.

Units using improper timekeeping procedures risk (1) charging hours that cannot be supported to projects and (2) misrepresenting payroll charges to the sponsor. As a result, the Smithsonian risks losing the sponsor's confidence in its ability to appropriately manage project funds, which may lead to the withholding of future funds.

OIG Questioned $103,385 in Costs with Unclear Connections to the Sponsored Projects

The Smithsonian charged $103,385 for events, public relations services, and research with an unclear connection to 3 of the 25 sampled projects (12 percent), as shown in Table 3.

Table 3. Questioned Non-payroll Costs Charged to Sponsored Projects

Unit	Sponsored Project Code	Total Direct Questioned Costs	Total Indirect Questioned Costs	Total Questioned Costs
Arts and Industries Building	505247	$67,620	$6,762	**$74,382**
National Zoo	786172	19,650	4,610	**24,260**
National Museum of the American Indian New York City	686220	3,822	921	**4,743**
Total Questioned Non-payroll Costs		**$91,092**	**$12,293**	**$103,385**

Source: OIG analysis of questioned costs.

First, AIB charged $74,382 to Project 505247's exhibit although the invoices were for the larger *FUTURES* exhibit and approximately $8,000 of the invoices were for public relations and event services performed after Project 505247's exhibit was deinstalled. The former Operations Associate with AIB stated that this occurred because AIB's portion of Project 505247's exhibit was featured in the *FUTURES* exhibit; therefore, some of the *FUTURES* invoices could have included Project 505247 costs. Management further stated that costs incurred for *FUTURES* activities were eligible Project 505247 costs because both support women in STEM. However, the *FUTURES* exhibit promoted activities beyond women in STEM and over a longer exhibition period. As a result of not differentiating with *FUTURES*, AIB charged expenses to Project 505247 based on budgeted amounts and missed the opportunity to track actual project expenses separately.

Second, the National Zoo received a fixed price project of $50,000 to fund an environmental study within a designated Virginia county. However, Project 786172's invoices and the contractor's research data and testimony showed that $24,260 (49 percent) was paid for regional environmental studies conducted in West Virginia, Maryland, and other Virginia counties. The unit PI agreed that these expenses should not have been charged to Project 786172. These costs were inappropriately charged to the project because of the following:

- Only the unit Fund Manager reviewed expenses on the project in detail even though the unit PI had more familiarity with the project's terms and ultimate responsibility for how funds were spent.[11]

- OSP does not offer mandatory training for unit PIs on budgeting and financial project management. In this case, the funds spent on environmental studies outside of the designated county indicates that the unit may have overbudgeted the project by $24,260.

- In relation to fixed price agreements, OSP does not have a policy to address significant residual project balances that could identify inaccurate budgeting and inappropriate use of remaining funds. OIG's review of policies promulgated by three reputable research institutions found they have formal procedures to provide oversight in resolving unusually high residual balances on fixed price projects. For instance, one research university requires that PIs document justification and receive approval for residual balances of more than $10,000, stating that the "mission is not to seek profit from its research activities; therefore, significant residual balances on fixed price sponsored awards may call into question the validity of the proposed budget and potentially affect the University's tax-exempt status." OSP has a form to transfer residual balances; however, this form is not mentioned in or required by the *Sponsored Projects Handbook* and does not set a precedent for what management deems excessive.

Third, the National Museum of the American Indian in New York City (NMAI-NY) received an $18,000 sponsored project to fund a cinema showcase. However, the museum spent $4,743 (26 percent) of Project 686220's funding on events unrelated to the showcase, including Day of

---

[11] *Sponsored Projects Handbook*, Chapter Twelve – Financial Administration of Sponsored Awards. (September 29, 2022).

the Dead and Native Art Market events. NMAI-NY used these funds inappropriately because the unit PI relied on misinterpreted directions from the museum's Major Gifts Officer and did not verify the allowable use of the funds per the agreement. Therefore, the unit charged the wrong project. As a result of this audit, management disallowed $4,743 and refunded the amount to the sponsor in December 2024.

These instances demonstrate opportunities to improve the units' financial management of projects in accordance with Smithsonian's policies and procedures and the sponsor's terms and conditions. Due to the potential misuse of these funds, the Smithsonian may need to return ineligible funds to the sponsors and could impact future relations with these sponsors.

OIG Questioned $118,238 in Catering Costs Charged to Government Projects

During an analysis of the sponsored project universe apart from our sample review, OIG found that the Smithsonian incurred $118,238 in expenses coded in ERP Financials as "Catering" on government-funded sponsored projects. However, the *Sponsored Projects Handbook* states that "costs for alcoholic beverages, food, and entertainment are not allowable expenses for government sponsors."[12] The OSP Deputy Director stated that the *Sponsored Projects Handbook* is more conservative, but in practice food is allowed on government projects when the sponsor allows it. Further, OIG notes that misclassifying projects to the incorrect sponsor type or expense category could also contribute to expenses showing as catering on government-funded projects. Misclassifications and informal practices can result in expenses that are inconsistent with Smithsonian's written procedures and create difficulties to accurately monitor expenses unallowed by sponsors. As a result of this audit, OSP published an updated *Sponsored Projects Handbook* in April 2025 to align the policy with practices for alcohol, food, and entertainment expenses on government projects. Appendix IV lists government-funded projects with catering expenses cumulatively over $1,000 during fiscal years 2022 and 2023, totaling $118,238.

Recipient Units Did Not Consistently Conduct Required Financial Management of Sponsored Projects

Unit Fund Managers did not consistently perform the following financial management procedures for 20 of the 25 sampled projects as required by the *Sponsored Projects Handbook*. Unit Fund Managers, with assistance from unit PIs, are required to conduct the following three financial management procedures:

- **Conduct Expenditure Reviews.** Unit Fund Managers and unit PIs review ERP Financials expenditure data to determine cost allowability, prepare cost projections, identify erroneous charges, and compare actual expenditures to the budget.

- **Maintain Unit Expenditure Records.** Unit Fund Managers maintain unit records of project expenditures independent from ERP Financials to monitor project activity. Such records, usually in a spreadsheet, typically contain more detailed and timely information

---

[12] *Sponsored Projects Handbook*, Chapter Six – Proposal Budget Preparation. (September 29, 2022).

than reports from ERP Financials, such as the names of personnel charging time to projects and the details of purchase card transactions that do not post in ERP Financials until the following month.

- **Reconcile Records Quarterly.** Unit Fund Managers reconcile their records to ERP Financials at least quarterly.[13]

Unit fund managers need to complete all three procedures to maintain adequate financial management over sponsored projects. However, the completion and documentation of these procedures during the period under audit varied across the 25 sample sponsored projects as follows:

- Three projects adequately completed all three procedures, and two others did not have any expenses during the period under audit.

- Six projects completed expenditure reviews, records, and reconciliation, but OIG was unable to determine whether the reconciliation was conducted quarterly.

- Six other projects completed expenditure reviews and records but did not conduct the quarterly reconciliation.

- Another six projects completed expenditure reviews but did not maintain expenditure records and did not conduct the quarterly reconciliation.

- The remaining two projects did not complete financial management procedures during the period under audit.

Table 4 illustrates the varying degrees to which units completed expenditure reviews, maintained expenditure records separately from ERP Financials, and performed the most recent quarterly reconciliation for the period under audit.[14]

---

[13] *Sponsored Projects Handbook*, Chapter Twelve – Financial Administration of Sponsored Awards. (September 29, 2022).
[14] OIG tested the expense review, records, and reconciliations for the quarter ending September 30, 2023, or the last quarter of the project if the project ended prior to September 30, 2023.

Table 4. Detail of Unit's Financial Management for Sampled Projects

Unit	Sponsored Project Code	Expenditure Reviews Using ERP Financials	Independent Unit Expenditure Records	Most Recent Quarterly Reconciliation
NZCBI	505364	YES	YES	YES
NZCBI	786172	YES	YES	YES
SAWHM	511282	YES	YES	YES
SERC	640425	N/A[a]	N/A[a]	N/A[a]
NMAL	511278	N/A[a]	N/A[a]	N/A[a]
NMAfA	191966	YES	YES	UTD
NMAI	505378	YES	YES	UTD
NMAI-NY	686220	YES	YES	UTD
NZCBI	505321	YES	YES	UTD
SERC	682027	YES	YES	UTD
Various	505247	YES	YES	UTD
CFCH	792102	YES	YES	NO
NMAH	191326	YES	YES	NO
NMAL	505245	YES	YES	NO
SAAM	690068	YES	YES	NO
SI Aff.	505275	YES	YES	NO
SLA	505236	YES	YES	NO
SSEC	505223	YES	NO[b]	NO[b]
ACM	505333	YES	NO	NO
NMNH	270050	YES	NO	NO
NMAA	505367	YES	NO	NO
NPM	505276	YES	NO	NO
STRI	690057	YES	NO	NO
NASM	717539	NO	NO	NO
NPG	511290	NO	NO	NO

Legend:

ACM	Anacostia Community Museum	NPM	National Postal Museum
CFCH	Center for Folklife and Cultural Heritage	NZCBI	National Zoo and Conservation Biology Institute
NASM	National Air and Space Museum	SAAM	Smithsonian American Art Museum
NMAA	National Museum of Asian Art	SAWHM	Smithsonian American Women's History Museum
NMAfA	National Museum of African Art	SERC	Smithsonian Environmental Research Center
NMAH	National Museum of American History	SI Aff.	Smithsonian Affiliations
NMAI	National Museum of the American Indian	SLA	Smithsonian Libraries and Archives
NMAI – NY	National Museum of the American Indian New York	SSEC	Smithsonian Science Education Center
NMAL	National Museum of the American Latino	STRI	Smithsonian Tropical Research Institute
NMNH	National Museum of Natural History	UTD	Unable to Determine
NPG	National Portrait Gallery		

Source: OIG review of documentation obtained from units listed in the figure.

Notes:
[a] These projects did not incur expenses during the period under audit; therefore, this procedure was not applicable.
[b] Only payroll expenditures were maintained independently from and reconciled to ERP Financials.

Key:
Green - YES and N/A: Unit provided supporting evidence, or the audit procedure was not applicable for the project.
Red - NO: Unit did not provide sufficient supporting evidence or did not perform the procedure in the period under audit.
Yellow – UTD: Unable to determine: unit PIs and unit Fund Managers performed a reconciliation for these projects, but OIG could not determine the date when the reconciliation was performed for the period selected for audit.

Several factors contributed to the inconsistencies noted in Table 4:

- **Untrained Personnel.** Three of the 12 unit Fund Managers interviewed by OIG stated that they taught themselves the unit Fund Manager role through trial and error—including how to perform expenditure reviews and reconciliations. They stated that they would have benefited from training when they were appointed as unit Fund Manager. Three other unit Fund Managers stated that they had never taken training through OSP. Although OSP offers financial management training, it is not mandatory.

- **Personnel Constraints.** Due to turnover, units re-assigned responsibilities to individuals who had not received the historical documentation for the project or did not have the capacity to perform the unit Fund Manager role because of other duties, according to unit Fund Managers. The two projects with no evidence of expense review and reconciliation experienced lapses in the unit Fund Manager role because of turnover during the period under audit.

- **Inadequate Guidance.** The *Sponsored Projects Handbook* does not provide sufficient guidance on how to: (1) document the review of expenditure reports; (2) create and maintain a unit expenditure record; or (3) reconcile unit expenditure records to ERP Financials. Furthermore, the *Sponsored Projects Handbook* does not require units to date reconciliations.

- **Insufficient Monitoring.** OSP did not perform periodic monitoring to ensure that units complied with the *Sponsored Projects Handbook's* financial management controls. However, SD 310: *Financial Reporting and Risk Management Internal Controls* requires OSP to issue and maintain a methodology to periodically assess the effectiveness of decentralized operations among the units for sponsored projects.[15]

Not performing expenditure reviews could result in unit PIs and unit Fund Managers charging unallowable costs to sponsored projects. Furthermore, if the Smithsonian does not ensure that unit Fund Managers reconcile unit expenditure records with ERP Financials on a quarterly basis, there is a risk of overspending or underspending on projects.

The Smithsonian Submitted Three Reports Late to Sponsors

Two units submitted late reports for 3 of the 25 sampled projects (12 percent), as detailed in Table 5.[16] The units could not provide evidence of an approved extension from the sponsor in advance of the due date for the three reports.

---

[15] SD 310 *Financial Reporting and Risk Management Internal Controls.* Responsibilities. (March 25, 2014).

[16] OIG selected one financial report and one technical report for each sampled project when reporting requirements were applicable to the project. For further details on testing methodology, see Appendix I.

Table 5. Detail of Three Reports Submitted Late to Sponsors

Unit	Sponsored Project Code	Amount	Report Type	Due Date	Date Submitted	Days Elapsed
NMAL	505245	$3,000,000	Annual Technical	09/30/2022	07/24/2023	297
NMAL	511278	$5,000,000	Annual Combined Technical & Financial	01/31/2023	08/14/2023	195
Smithsonian Affiliations	505275	$5,500	Final Combined Technical & Financial	12/01/2022	01/03/2023	33

Source: OIG review of project agreements, reports, correspondence with sponsors, and interviews with management.

According to the *Sponsored Projects Handbook*, unit PIs are responsible for submitting technical and programmatic reports to the sponsors in a timely manner and providing a copy of the reports to OSP. Although OSP prepares and certifies all financial reports and coordinates the submission of financial reports with the unit PI based on each project's needs, the unit PI is ultimately responsible for timely reporting.[17] The unit PIs missed the reporting deadlines due to ineffective oversight of project requirements and misunderstandings of their roles as unit PIs. In addition, OSP did not have a monitoring process to track the submission status of reports.

Submitting reports late may: (1) adversely affect the Smithsonian's eligibility to receive further support from the sponsor; (2) create challenges in verifying whether the unit completed project objectives in a timely way; and (3) result in the Smithsonian not getting reimbursed from sponsors for project costs.

OSP Did Not Have Sufficient Procedures to Close Out Projects Efficiently and Effectively

OSP did not have procedures in place to standardize how and by when to resolve all project balances and close out sponsored projects. The OSP Deputy Director stressed that changing the budget status to "Closed" in ERP Financials when a project ends was the most critical procedure in the closeout process because it prevents additional expensing of funds and adjustments to the project's expenses. However, OIG found inefficiencies in setting the budget status to "Closed" and ineffective resolution of project balances in both sampled projects and the analysis of the sponsored project universe. This is contrary to SD 310, *Financial Reporting and Risk Management Internal Controls,* which states that "management should establish control activities that are effective and efficient…."[18]

Inefficiencies and Ineffectiveness were Identified in the Closeout of Sampled Projects

Of the 25 sampled projects, 11 projects ended on or before September 30, 2023. Of these 11 projects, OIG found that OSP Post-Award Financial Analysts closed projects from 48 days before the project's end date to 792 days after the project's end date, as shown in Table 6. OIG's review of policies from three reputable research institutions showed a standard requirement to internally close projects within six months (180 days) of the project's end date.

---

[17] *Sponsored Projects Handbook.* Chapter Twelve – Financial Administration of Sponsored Awards. (September 29, 2022).
[18] SD 310 *Financial Reporting and Risk Management Internal Controls.* Definitions. (March 25, 2014).

Table 6. Time Elapsed to Close Sampled Projects that Ended On or Before Fiscal Year 2023

A	B	C	D	E	F
Unit	Sponsored Project Code	Project Amount	Project End Date	Date Budget Status Closed[a]	Days Elapsed (E-D)
Smithsonian American Art Museum	690068	$39,996	11/30/2021	Not Closed	792
Various	505247	$484,550	05/01/2022	Not Closed	640
National Museum of Natural History	270050	$359,492	09/30/2022	Not Closed	488
Smithsonian Science Education Center	505223	$830,000	12/31/2022	1/29/2024	394
National Museum of the American Indian New York	686220	$18,000	12/31/2022	1/10/2024	375
National Postal Museum	505276	$5,000	01/31/2023	Not Closed	365
National Portrait Gallery	511290	$75,000	01/30/2023	1/10/2024	345
National Museum of Asian Art	505367	$5,000	08/15/2023	Not Closed	169
Center for Folklife and Cultural Heritage	792102	$4,000	09/30/2023	1/17/2024	109
Smithsonian Libraries and Archives	505236	$25,000	11/01/2022	12/9/2022	38
Smithsonian Affiliations	505275	$5,500	12/01/2022	10/14/2022	(48)

Source: OIG review of project agreements and budget status reports obtained from the Grants Module.

Note:
[a] OIG conducted audit procedures as of January 31, 2024. OSP closed additional projects since this date.

Delays in internally closing out projects past their end dates creates an environment in which funds could be used for improper purposes to spend down project balances. Inefficient closeout processes can also result in improperly retaining funds due back to sponsors, missing the opportunity to use all available project balances, and delaying the repurposing of funds for better use. For example, Project 505247 ended on May 1, 2022, but the Smithsonian did not notify the sponsor of $43,705 in unspent funds until summer 2023—more than a year later. Although the sponsor ultimately allowed the Smithsonian to repurpose the remaining funds in April 2024, the Smithsonian risked losing the use of these funds.

Inefficiencies and Ineffectiveness were Identified in the Universe Analysis of Project Closeouts

In an analysis of the sponsored project universe, OIG found 251 of 815 projects (31 percent) that ended on or prior to September 30, 2023, and were not "Closed" in ERP Financials as of the date of audit testing on January 31, 2024.

In addition, several projects that ended on or before September 30, 2023, had unresolved balances of more than $1,000, including available balances, receivables, and encumbered and pre-encumbered funds, as shown in Table 7. For details of each reported balance, see Appendix V.

Table 7. Unresolved Balances on Projects Ending On or Before Fiscal Year 2023[a]

Type of Balance	Number of Projects	Total of Balances over $1,000
Available Balance Left on Unclosed Projects	47	$3,833,459
The available balance is the difference between the project's total budget and the expenses incurred or encumbered. OSP identified $642,830 of the $3,833,459 as cash balances requiring resolution in March 2023, but these balances were still not resolved as of January 2024. According to the OSP Deputy Director, the remaining $3,190,629 could represent unspent cash due back to the sponsor, cash eligible for repurposing by the unit, or budget balances that were not received and not used.		
Receivables Outstanding on Closed Projects	34	$702,362
OIG estimates that approximately $30,000 represents true receivables, and the remaining amount indicates that: (1) payment from the sponsors were applied to the incorrect project or account, or (2) the Smithsonian did not resolve historical receivable errors in ERP Financials. ERP Financials does not prevent OSP from changing the budget status to Closed when balances are still present.		
Encumbered and Pre-encumbered Funds on Unclosed Projects	7	$159,120
Encumbered funds are the amounts that are available to distribute on an established purchase order or contract. Pre-encumbered funds are planned purchases with a requisition but no purchase order or contract. Open encumbrances after the project agreement's end date present a risk that the Smithsonian will charge unrelated expenses to projects. The encumbrance balance may also reflect amounts that the Smithsonian can no longer bill or needs to return to the sponsor for projects that have ended. The *Sponsored Projects Handbook* requires units to liquidate all encumbrances within 30 days of the project's end. Units contribute to closeout delays when they do not follow this policy.		

Source: OIG analysis of information provided by OSP on sponsored projects and from ERP Financials.

Note:
[a] OIG conducted audit procedures as of January 31, 2024. OSP resolved portions of these balances since this date.

To close out projects, OSP has a shared responsibility to work with recipient units and other central administrative offices, such as the Office of Contracting and Personal Property Management, the Office of Finance and Accounting, and the Office of Human Resources. However, as the sponsored projects' process owner, OSP did not have closeout procedures in place to work with other units and sponsors to address unresolved balances and complete the closeout process within a standardized timeframe in ERP Financials.

Three Smithsonian Personnel Had Improper Grants Module Access

Three of the 17 Grants Module users at the time of OIG's review had improper access privileges, as follows:

- Two OSP Pre-Award Grant Administrators held Super User access, which allowed them to perform the roles of both the OSP Pre-Award Grant Administrator and the OSP Post-Award Financial Analyst. These employees could therefore both create and finalize project budgets in the Grants Module, which violates the principle of segregation of duties.

- A former OSP employee who served as the National Postal Museum's (NPM) Finance Manager still had OSP Pre-Award Grant Administrator access, which would have allowed this individual to create proposals and generate projects in the Grants Module.

Smithsonian Technical Note IT-930-TN37, which provides account security standards that apply to all Smithsonian systems, states that accounts may be granted only the permissions needed for the user's role. It also requires adherence to the principle of "least privilege"—granting access only to authorized users who are necessary to accomplish assigned organizational tasks.[19]

The OSP Deputy Director stated that the two OSP Pre-Award Grant Administrators served as the back-up for the OSP Supervisory Grants and Contracts Administrator, and they likely needed the Super User role to run reports and assist with other issues. However, OIG noted that the OSP Supervisory Grants and Contracts Administrator did not need Super User access to perform their role; therefore, the two back-ups should not have needed it either. The NPM Finance Manager previously worked as the OSP Administrative Assistant. When this individual accepted a position at NPM in 2021, NPM and OSP agreed that the NPM Finance Manager would assist OSP with administrative tasks until OSP recruited and trained a replacement. However, upon hiring and onboarding a new OSP Administrative Assistant, OSP did not ensure that the NPM Finance Manager's access to the Grants Module was removed. After OIG notified OSP of this finding during the audit, OSP removed the OSP Pre-Award Grant Administrators' Super User access and revoked the NPM Finance Manager's access.

OSP did not terminate access in a timely manner because it did not have a procedure to monitor user privileges in the Grants Module. As a result, users with unneeded privileges could circumvent supervisory controls and intentionally or unintentionally alter data undetected. In May 2025, OSP developed and implemented a written procedure to regularly monitor user access and privileges in the Grants Module.

Key OSP Processes Were Not All Memorialized in Written Policies and Procedures

OSP did not have comprehensive written policies and procedures governing the key internal processes necessary to promote program accuracy and efficiency. Specifically, written policies and procedures were incomplete or missing concerning: (1) approving unilateral project agreements; (2) reviewing project activity and balances; (3) monitoring sponsored projects; and (4) using checklists.

Approval of unilateral project agreements. OSP did not have an internal review process for unilateral agreements—sponsored project agreements that do not require the Smithsonian's signature. In practice, unilateral agreements are often accepted by OSP Pre-Award Grant Administrators without documented approval from a designated Smithsonian representative. In contrast, bilateral agreements requiring a Smithsonian representative's signature are reviewed by an OSP Pre-Award Grant Administrator and the OSP Director (or designee). As a result of this audit, OSP established a written procedure in April 2025 to document the approval of unilateral projects by a designated Smithsonian representative.

---

[19] Smithsonian Technical Note IT-930-TN37 *Securing IT Accounts*. Policy. (October 30, 2015).

OSP's review of project activity and balances. OSP regularly performed reviews of: 1) financial reports for sponsors, 2) sponsor billings, and 3) internal monthly financial reports, but did not have written procedures for these ongoing reviews. Specifically, there was no written guidance for these reviews detailing roles and responsibilities, outlining which ERP Financials/Grants Module reports to use, or establishing a timeframe when these reviews should be completed. Five months into the audit, the OSP Deputy Director provided a procedure narrative dated February 2024 for billing and financial reporting. Although this narrative may serve as a starting point for documenting internal controls for billing and external financial reporting, this document did not address OSP's internal monthly review of financial reports.

Monitoring sponsored projects. The OSP Deputy Director conducts bi-annual exception testing for monitoring purposes; however, this procedure is not formally documented.[20] In addition, OSP has no written procedures regarding the resolution of issues identified by exception testing, including when and by whom exceptions must be resolved.

Use of checklists. OSP has checklists for entering data into the Grants Module and completing the closeout process, but it has no written procedure concerning whether the checklists are mandatory or if there are exceptions to using them. As a result, checklists were inconsistently filled out, missing, or not completed in a timely way. Several checklists were completed more than a year after the project ended. The absence of these checklists could result in data entry errors going undetected, projects closing with unresolved balances, and OSP missing internal steps to archive and file project information. For an example of a checklist, the Post Award Financial Closeout Checklist, see Appendix III.

SD 310, *Financial Reporting and Risk Management Internal Controls* states that OSP, as the process owner of external grants and contracts, is responsible for issuing and maintaining current policies and procedures and documenting their key control activities.[21]

The United States Government Accountability Office's Standards for Internal Control in the Federal Government echoes this guidance by stating that "Management should implement control activities through policies" (paragraph 12.01). These standards provide guidance on the documentation of the internal control system and further state the following:

> "Effective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties." (paragraph 3.10)[22]

---

[20] Through the bi-annual exceptions testing, the OSP Deputy Director reviews projects with unusual balances, such as uncollected receivables or unbilled expenses.

[21] SD 310 *Financial Reporting and Risk Management Internal Controls.* Policy and Responsibilities. (March 25, 2014).

[22] The U.S. Government Accountability Office's GAO-14-704G *Standards for Internal Control in the Federal Government, Paragraphs 12.01 and 3.10.* (September 2014).

OSP management had not considered the need for internal written policies and procedures governing the issues noted above. The OSP Deputy Director stated the following:

- Many personnel have more than 20 years of experience with OSP and know its processes. OIG recognizes the high level of experience in OSP, but turnover will inevitably occur. Written policies and procedures serve as a resource for cross-training and onboarding future employees.

- Employees' responsibilities are outlined in their position descriptions, resulting in no need for additional written policies. However, position descriptions establish general responsibilities, but they do not include all of the necessary details for an individual to perform their daily tasks or provide a comprehensive internal control structure for all OSP personnel.

- As long as unilateral agreements are straightforward and come from recurring sponsors, there is no need for the OSP Director (or designee) to approve them. In such instances, OSP Pre-Award Grant Administrators have the authority to accept unilateral project agreements on behalf of the Smithsonian. However, recurring sponsors could vary their terms and conditions from one project to the next, and less experienced OSP Pre-Award Grant Administrators might not detect such changes.

Not documenting key policies and procedures could make it more difficult for OSP to hold personnel accountable for their work, ensure that key controls are preserved when turnover occurs, manage all sponsored projects similarly and efficiently, comply with sponsors' requirements, and achieve the OSP mission.

Conclusions

This report highlights areas for improvement to ensure that OSP and recipient units administer projects in compliance with Smithsonian's internal policies and procedures and with sponsor's terms and conditions. Informal training practices, insufficient written guidance, and inadequate monitoring procedures resulted in inconsistent application of sponsored project processes pertaining to project initiation, project administration, project closeout, and program monitoring. The following recommendations provide opportunities for the Smithsonian to more effectively oversee the growing sponsored projects program.

Recommendations

OIG recommends that the OSP Director take the following steps:

1. Update the *Sponsored Projects Handbook* in these ways:

    a. Implement controls related to residual funds on fixed price projects to address excessive balances; and

     b. Ensure that the financial review, record, and reconciliation procedures provide sufficient guidance for units to meet minimum standards of documentation.

2. Implement mandatory training and track attendance for unit PIs, unit Fund Managers, and others identified by OSP as involved in the sponsored project program that:

     a. Covers key responsibilities including but not limited to project identification and initiation, financial management (payroll and non-payroll), reporting, and closeout; and

     b. Provides examples of how to document financial reviews, unit expenditure records, and quarterly reconciliations in accordance with the updated *Sponsored Projects Handbook.*

3. Incorporate key internal processes in written policies and procedures concerning OSP: (1) reviewing project activities and balances; (2) monitoring sponsored projects; and (3) using checklists.

OIG recommends that the OSP Director, in coordination with a designated representative for AIB, take the following steps:

4. Determine and document the allowability of the questioned $157,850 for payroll costs and $74,382 for non-payroll costs charged to Project 505247 and resolve any costs determined to be disallowed with the sponsor.

OIG recommends that the OSP Director, in coordination with the Director of SSEC, take the following steps:

5. Determine and document the allowability of the questioned $81,924 for payroll costs charged to Project 505223 and resolve any costs determined to be disallowed with the sponsor.

6. Develop and implement written unit timekeeping procedures in compliance with Smithsonian policies.

OIG recommends that the OSP Director, in coordination with the Director of the National Zoo, take the following steps:

7. Determine and document the allowability of the questioned $24,260 for non-payroll costs charged to Project 786172 and resolve any costs determined to be disallowed with the sponsor.

OIG recommends that the OSP Director, in coordination with the recipient units, take the following steps:

8. Determine and document the allowability of the questioned $118,238 from catering costs charged to government-funded projects and resolve any costs determined to be disallowed with the sponsor(s).

9. Develop and implement procedures to monitor the following:

   a. The timeliness and compliance of units' project expenditure reviews, records, and reconciliations with the updated *Sponsored Projects Handbook*; and
   b. The timely submission of reports to sponsors.

OIG recommends that the OSP Director, in coordination with recipient units and other responsible central administrative offices, take the following actions:

10. Develop and implement a process to resolve balances prior to closeout, and standardize the timeframe to complete all components of project closeout.

11. Resolve the $3,833,459 of available balances identified in this report that could potentially be put to better use.

12. Resolve the $702,362 of receivables balances identified in this report that could potentially be put to better use.

13. Resolve the $159,120 of encumbered and pre-encumbered balances identified in this report that could potentially be put to better use.

Management Comments and OIG Evaluation

OIG provided the Smithsonian a draft of this report for review and comment, and Smithsonian management provided written comments that are reproduced in their entirety in Appendix VI. In its comments, management concurred or partially concurred with all of the recommendations and outlined actions planned to address them. Management's responses effectively addressed recommendations, except for the following:

- For several recommendations, management stated that it will "document current practices" related to addressing residual balances of fixed price projects, monitoring of financial compliance procedures at units, monitoring the timely submission of reports to sponsors, and completing project closeout in a standardized timeframe. However, OIG found that current practices were not sufficient to detect and prevent the issues identified. As a result, OIG recommended that management develop and implement procedures to address the concerns identified in the findings.

- Management also stated it will only reference the requirement for mandatory training in the *Sponsored Projects Handbook* rather than include the sufficient guidance OIG identified was a gap in the handbook. Revising the handbook was to ensure that units had sufficient guidance to meet minimum standards of documentation for financial reviews, records, and reconciliations.

In several of its written comments, management stated "we concur in principle", which they explained as concurring with the recommendation, but how they will address the recommendation might differ from how it was expressed in the report. OIG recommendations did not dictate how management was to implement the recommendations; however, OIG will verify whether the resolution meets the intent of the recommendation.

Objective, Scope, and Methodology

The objectives of this audit were to determine the extent to which the Office of Sponsored Projects (OSP) and recipient units have complied with: (1) Smithsonian Institution (Smithsonian) policies and procedures and (2) sponsors' terms and conditions concerning the administration and oversight of sponsored projects.[23]

The scope of the audit included sponsored projects awarded in fiscal years 2022 and 2023 that were overseen by OSP. The scope did not include projects managed by the Smithsonian Astrophysical Observatory (SAO) because SAO has its own internal sponsored project team separate from OSP. Furthermore, in May 2018 OIG audited SAO and issued report OIG-A-18-06, *Grants Management: Smithsonian Astrophysical Observatory Can Improve the Closeout Process for Chandra Grants*.

The current audit focused on the administration of non-SAO sponsored projects, including project initiation, expense reviews and reconciliations, billing and receipt of funds, external reporting, closeout, and high-level monitoring. The audit did not address all facets of the sponsored project program, such as revenue recognition, research compliance, intellectual property, sub-grant monitoring, the Smithsonian-wide indirect cost calculation, and contract procurement.

To accomplish the objectives, the Office of the Inspector General (OIG) interviewed officials from OSP and a selection of recipient units to gain an understanding of the sponsored project process and related roles and responsibilities.

To assess whether OSP and recipient units complied with Smithsonian policies and procedures along with the terms and conditions of sponsored projects, OIG selected a non-statistical sample of 25 of the 575 sponsored projects awarded to the Smithsonian during fiscal years 2022 and 2023. Because we selected a non-statistical sample, the results of this audit cannot be projected to the population of projects awarded in fiscal years 2022 and 2023. OIG chose these samples judgmentally to ensure that a variety of projects and higher-risk projects were represented in our testing. The audit team determined that higher-risk characteristics included the following:

- High-dollar projects at risk of greater complexity and low-dollar projects at risk of insufficient oversight;

- Multi-year projects and short-term projects under six months in length;

- Projects from private funders with a variety of compliance requirements; and

---

[23] As one of the policies and procedures, OIG used the September 29, 2022 *Sponsored Projects Handbook* because it covered the longest period under audit, but OIG also referred to the version dated September 2023 for updates that could impact the audit.

- Projects with recipient units that infrequently managed sponsored project funding.

The sampled projects totaled $33,779,594—18 percent of the $188,793,954 sponsored projects provided to the Smithsonian, excluding SAO, during fiscal years 2022 and 2023. For a list of the 25 samples, see Table 8.

Table 8. Sampled Sponsored Projects

Unit	Sponsored Project Code	Amount	Award Date	End Date
Anacostia Community Museum	505333	$50,000	01/12/2023	12/06/2023
Center for Folklife and Cultural Heritage	792102	4,000	07/07/2023	09/30/2023
National Museum of Asian Art	505367	5,000	05/24/2023	08/15/2023
National Air and Space Museum	717539	5,000	03/22/2023	09/30/2024
National Museum of African Art	191966	185,000	09/27/2022	08/31/2024
National Museum of American History	191326	250,000	12/07/2022	09/30/2027
National Museum of the American Indian	505378	5,940,000	07/14/2023	06/30/2026
National Museum of the American Indian New York	686220	18,000	02/03/2022	12/31/2022
National Museum of the American Latino	511278	5,000,000	03/10/2022	01/31/2027
National Museum of the American Latino	505245	3,000,000	02/24/2022	09/30/2029
National Museum of Natural History	270050	359,492	12/23/2021	09/30/2022
National Portrait Gallery	511290	75,000	09/16/2022	01/30/2023
National Postal Museum	505276	5,000	07/11/2022	01/31/2023
National Zoo and Conservation Biology Institute	505321	1,583,803	12/12/2022	11/29/2025
National Zoo and Conservation Biology Institute	505364	3,500	05/15/2023	04/30/2024
National Zoo and Conservation Biology Institute	786172	50,000	11/22/2021	12/31/2023
Smithsonian American Art Museum	690068	39,996	10/18/2021	11/30/2021
Smithsonian American Women's History Museum	511282	15,000,000	04/04/2022	09/30/2028
Smithsonian Environmental Research Center	640425	304,351	11/07/2022	11/30/2026
Smithsonian Environmental Research Center	682027	546,282	07/21/2022	08/31/2024
Smithsonian Affiliations	505275	5,500	07/11/2022	12/01/2022
Smithsonian Libraries and Archives	505236	25,000	01/21/2022	11/01/2022
Smithsonian Science Education Center	505223	830,000	12/16/2021	12/31/2022
Smithsonian Tropical Research Institute	690057	10,120	11/12/2021	03/01/2024
Various	505247	484,550	02/01/2022	05/01/2022
Total		**$33,779,594**		

Source: OIG review of information obtained from the Grants Module reporting and sponsored project agreements.

For each sampled project, OIG evaluated project initiation, financial reconciliation and review, billing and receipt of funds, external reporting, and closeout to test the effectiveness of internal controls and compliance.

Project Initiation. OIG obtained a copy of the project agreement, the Proposal Brief, and project set-up documentation to verify that: (1) the OSP Director or a properly designated person signed and accepted the project agreement; (2) the recipient unit and OSP Director properly approved the project using the Proposal Brief; and (3) OSP staff accurately entered the project into the Enterprise Resource Planning Grants Module (Grants Module) and communicated it to the project team.

Project Reconciliation and Review. OIG obtained: (1) Enterprise Resource Planning Financial System (ERP Financials) reports used by units for expenditure reviews; (2) the expenditure records maintained by the units independently from ERP Financials; and (3)

quarterly reconciliation performed between ERP Financials and unit expenditure records. The audit team obtained this information for the last quarter of the project during the period under audit. The audit team determined whether ERP Financials reconciled with unit expenditure records and when the reconciliation occurred. OIG also reviewed underlying invoices, contracts, position descriptions, and timesheets for a selection of payroll and non-payroll expenses. The expenses were selected based on risk; high-risk factors included large dollar amounts, transactions with unclear connections to the project, and transactions that occurred near or after the end of the project.

Project Billing and Receipt of Funds. OIG inspected the invoices that the Smithsonian sent to sponsors, the underlying financial records for the amounts billed, and bank deposit information and receivable schedules to verify the amounts received. OIG also determined whether the indirect costs billed to the sponsor were in line with Smithsonian's policies and the sponsor's terms. The audit team tested either: (1) Smithsonian's billing of the sponsor that included September 30, 2023, or (2) the last billing on the project if the project ended prior to September 30, 2023.

External Reporting. OIG reviewed financial and technical reports and their underlying support. In addition, OIG determined whether reports were submitted to the sponsor on time. The audit team tested either: (1) the most recent financial and technical reports submitted to the sponsor that included September 30, 2023, or (2) the final project reports when the project ended prior to September 30, 2023. As part of this procedure, the audit team conducted three site visits to determine whether the projects accomplished their goals at the National Portrait Gallery, the National Museum of Natural History, and the National Museum of American History.

Project Closeout. OIG reviewed each sampled project's status in ERP Financials to determine whether the project's budget status was closed in a timely way and whether the balances were zero. In addition, OIG inspected the Post Award Financial Closeout Checklist and correspondence between the unit and sponsor to resolve outstanding project balances and remaining project equipment.

OIG also analyzed the sponsored project universe for balances and transactions judgmentally determined to be at higher risk of non-compliance with Smithsonian's policies and procedures and the sponsors' terms and conditions. Specifically, OIG reviewed accounts that were not zeroed out after the projects' end dates, including encumbered and pre-encumbered funds, receivables, and available project funds. OIG also performed data analytics to isolate transactions from the audit universe that appeared to not comply with OSP policies and procedures, such as catering expenses charged to government-funded projects. OIG's analysis did not test every transaction class and account balance type; therefore, there could be noncompliant transactions and balances that were not identified by this audit.

For this audit, OIG relied on computer-generated data from ERP Financials and the integrated Grants Module. The audit team relied on ERP Financials testing conducted by the auditors who performed the Smithsonian's fiscal year 2022 and 2023 financial statement audits. OIG independently reviewed the reliability of data in the Grants Module by obtaining a report of the sponsored projects awarded during fiscal years 2022 and 2023 and a list of user privileges in

the Grants Module from the Office of the Chief Information Officer. OIG used the Office of the Chief Information Officer's reports to corroborate OSP's sponsored project listing and to test identified key internal controls. The audit team resolved any identified discrepancies with OSP, including three user accounts with improper privileges. The audit team also verified that the data entered into the Grants Module accurately reflected the terms of the sponsors' agreements for the 25 sampled projects. OIG determined that the data from the Grants Module were sufficiently reliable for the purposes of this report.

In planning and performing this audit, OIG identified three internal control components and eight underlying principles as significant to the audit objectives, as shown in Table 9.

Table 9. Internal Control Components and Principles Significant to the Audit Objectives

Control Activities Principles
• Design Control Activities
• Design Activities for the Information System
• Implement Control Activities
Information and Communication Principles
• Use Quality Information
• Communicate Internally
• Communicate Externally
Monitoring Principles
• Perform Monitoring Activities
• Evaluate Issues and Remediate Deficiencies

Source: OIG analysis of internal control components and principles.

OIG conducted this audit in Washington D.C from October 2023 to June 2025, in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on its audit objectives.

Proposal Brief Form

The Office of Sponsored Projects (OSP) generates the Proposal Brief form through the Enterprise Resource Planning Grants Module to obtain internal Smithsonian Institution approvals of the proposed project from the unit Principal Investigator, Supervisor, Unit Director, and OSP Director.

Proposal Brief - to be approved by PI, Supervisor, and Unit Director

SMITHSONIAN INSTITUTION
OFFICE OF SPONSORED PROJECTS
OSP Contact:
202/xxx-xxxx

A. INVESTIGATOR INFORMATION

PI: Unit: E-mail: Dept ID:

Employee Type:

CoPI: Unit: E-mail: Dept ID:

Employee Type:

B. PROPOSAL Title:

SI Prop No: Sponsor:
Version ID: Sponsor Type:
Proposal Type: Date Submitted:

C. COMPLIANCE

Use of Animals?   IACUC Approval: _____   Use of Human Subjects?   IRB Approval: _____

D. BUDGET INFORMATION

Project Period   From: To:

	Requested From Sponsor	Mandatory Cost Sharing	Total Budget
Direct Costs			
Indirect Costs			
Totals:			

E. NOTES

F. APPROVAL SIGNATURES

PRINCIPAL INVESTIGATOR: My signature below confirms that I accept responsibility for the programmatic conduct of the project and will provide the required project reports if an award is made as a result of this proposal.

Principal Investigator's Signature: _____ Date: _____

SUPERVISOR: My signature below confirms that I have reviewed this proposal and find that the project is compatible with the PI's other commitments, that there is adequate space and facilities to conduct the project, and that the project is in keeping with the unit's mission and objectives. I understand that the unit will be responsible for meeting any cost sharing requirements, and that the project funds will be properly managed if awarded.

Supervisor's signature: _____ Date: _____

UNIT DIRECTOR: My signature below confirms that I have reviewed this proposal and find that there is adequate space and facilities to conduct the project, and that the project is in keeping with the unit's mission and objectives. I understand that the unit will be responsible for meeting any cost sharing requirements if the proposal is awarded.

Unit Director's signature: _____ Date: _____

OSP DIRECTOR: My signature below confirms that I have reviewed the business plan and budget of this proposal and approve it for submission to the sponsor.

OSP Director's signature: _____ Date: _____

Post Award Financial Closeout Checklist

The Office of Sponsored Projects (OSP) uses the Post Award Financial Closeout Checklist to help ensure that the sponsored project is properly closed out. However, OSP does not have policies dictating the use of this tool, which diminishes its usefulness. The Office of the Inspector General observed that this checklist was commonly filled out more than a year after projects ended.

Post Award Financial Closeout Checklist

DSGC: _____ PI: _____ FA: _____

Unit: _____ Sponsor: _____ GCA: _____

Step #1: Verify reports and deliverables are complete.

- ☐ Final Financial Report or Final Invoice was sent to sponsor or development officer.
- ☐ Subcontracts are closed.
- ☐ Cost sharing reports were received from unit and documented.

Step #2: Run 007R, 160R, 310R, and AR/BI Item List and verify:

- ☐ Pre-Encumbrance and Encumbrance balance is $0.00. (Review 007R)
- ☐ Accounts Receivable balance is $0.00.
- ☐ Cash balance is $0.00.
- ☐ Budget Available balance is $0.00.
- ☐ Advance balance is $0.00.
- ☐ Fund is removed from interest bearing list.
- ☐ All invoices are closed.

Step #3: Verify:

- ☐ Budget status is closed.
- ☐ Billing and IDC Header are closed.
- ☐ GM award status is closed.

Step #4: Log and move electronic file.

- ☐ Update the Financially Closed Awards log.
- ☐ Move electronic file to archive folder.

Step #5: Document and save in electronic file:

- ☐ Complete signed checklist.
- ☐ Fund Manager notified that award is financially closed.
- ☐ Print 160R.
- ☐ Print IDC Header.
- ☐ Print Billing Header.

Signature: _____ Date: _____

(updated 08/2020)

Detail of Catering Expenses on Government Sponsored Projects

During the analysis of the sponsored project universe, the Office of the Inspector General (OIG) found the following projects with government-sponsored designated codes that incurred catering expenses during fiscal years 2022 and 2023.[24] The *Sponsored Projects Handbook* states that "costs for alcoholic beverages, food, and entertainment are not allowable expenses for government sponsors."[25] Table 10 details the $118,238 of questioned costs on projects that expensed more than $1,000 in catering costs during fiscal years 2022 and 2023.[26]

Table 10. Government-sponsored Projects with Catering Expenses in Fiscal Years 2022-2023

Unit	Sponsor Project Code	Amount
Smithsonian Tropical Research Institute	640394	$45,890
Center for Folklife and Cultural Heritage	790104	20,000
Smithsonian Tropical Research Institute	640370	14,397
National Museum of Natural History	694034	12,570
Smithsonian Science Education Center	680010	5,921
National Postal Museum	692387	4,345
Smithsonian Asian Pacific American Center	637013	3,862
National Air and Space Museum	686224	2,642
Smithsonian Tropical Research Institute	640378	2,580
National Museum of the American Indian - NY	686227	2,285
Office of Educational Technology	786177	1,548
National Museum of Natural History	640372	1,146
National Museum of the American Indian	687142	1,052
Total Government-sponsored Projects with Catering Expenses		**$118,238**

Source: OIG review of information obtained from the Smithsonian Institution's Enterprise Resource Planning Financials System.

---

[24] The *Sponsored Projects Handbook* identifies designated project codes beginning with 6 as a government grant and 7 as a government contract.

[25] *Sponsored Projects Handbook*, Chapter Six – Proposal Budget Preparation. (September 29, 2022).

[26] The Smithsonian Institution defines catering expense as "expenses relating to contracts with outside firms for the provision of food services. Including costs of food products and supplies purchased for human consumption."

Detail of Unresolved Balances on Projects Ending on or Before Fiscal Year 2023

During the analysis of the sponsored project universe, the Office of the Inspector General (OIG) found the following projects that ended on or before fiscal year 2023 with balances as of audit procedures conducted on January 31, 2024. Table 11 details the available balances, receivable balances on closed projects, and encumbered or pre-encumbered balances of more than $1,000.

Table 11. Unresolved Balances on Projects Ending On or Before Fiscal Year 2023

Unit	Sponsored Project Code	Amount
Available Balance Left on Unclosed Projects		
Hirshhorn Museum & Sculpture Garden	505101	$2,000,000
Cooper-Hewitt, National Design Museum	511252	388,448
National Postal Museum	692378	323,210
Smithsonian Science Education Center	270052	300,158
National Museum of the American Latino	511294	235,925
National Postal Museum	692382	157,995
National Postal Museum	692387	127,766
Smithsonian Science Education Center	692388	48,498
National Museum of Natural History	505247	43,705
Office of Global Affairs	692385	33,889
National Museum of Natural History	270054	29,649
National Museum of American History	511196	18,364
Cooper-Hewitt, National Design Museum	686218	17,318
National Museum of Natural History	792104	15,692
Smithsonian Environmental Research Center	786167	14,549
National Air and Space Museum	717533	13,136
National Museum of Natural History	270042	12,691
Cooper-Hewitt, National Design Museum	686213	10,871
Center for Folklife and Cultural Heritage	271102	10,260
National Zoo and Conservation Biology Institute	504941	10,016
Smithsonian American Art Museum	505199	9,500
National Museum of Natural History	642142	9,336
Smithsonian Tropical Research Institute	792045	9,019
Center for Folklife and Cultural Heritage	271103	8,740
Office of Protection Services	191963	7,611
Center for Folklife and Cultural Heritage	277515	6,688
Smithsonian Environmental Research Center	277008	5,000
Cooper-Hewitt, National Design Museum	505234	5,000
National Air and Space Museum	610245	4,762
National Air and Space Museum	611121	4,476
Smithsonian Tropical Research Institute	505091	4,476
Smithsonian Associates	686202	4,286
National Museum of Natural History	191408	3,419
National Museum of Natural History	640391	3,390
National Museum of Natural History	642158	2,500
National Zoo and Conservation Biology Institute	504979	2,330
Hirshhorn Museum & Sculpture Garden	505350	2,225

Unit	Sponsored Project Code	Amount
Available Balance Left on Unclosed Projects continued…		
Smithsonian Institution Traveling Exhibitions	504984	2,121
National Museum of American History	505174	2,000
National Museum of American History	191968	1,797
Smithsonian Environmental Research Center	277006	1,794
Center for Folklife and Cultural Heritage	792100	1,680
National Museum of Natural History	270053	1,563
Smithsonian Asian Pacific American Center	786176	1,361
Smithsonian Science Education Center	505206	1,165
National Zoo and Conservation Biology Institute	799781	(34,945)
National Museum of American History	799915	(49,975)
Total Available Balance Left on Unclosed Projects		**$3,833,459**
Receivables Outstanding on Closed Projects		
no data	723003	$ 201,256
no data	500230	146,156
no data	500429	135,867
Center for Folklife and Cultural Heritage	500770	117,000
no data	654005	69,432
National Museum of Natural History	500931	29,980
Smithsonian Environmental Research Center	676004	25,314
no data	786017	25,000
National Zoo and Conservation Biology Institute	500847	20,000
no data	500515	18,750
no data	692007	17,255
no data	500337	15,099
no data	500674	15,000
no data	500446	14,710
no data	500371	10,000
no data	500487	9,000
no data	633009	7,259
no data	510032	6,773
no data	794018	5,000
no data	500156	4,000
Smithsonian Environmental Research Center	654015	3,979
no data	500315	1,891
no data	500394	1,670
no data	692011	1,586
no data	500085	1,216
National Museum of Natural History	622020	1,004
National Museum of Natural History	630007	(1,427)
no data	633004	(1,512)
National Museum of Natural History	692024	(3,000)
no data	510016	(17,001)
Smithsonian Environmental Research Center	676003	(25,314)
National Zoo and Conservation Biology Institute	500951	(29,980)
no data	500678	(55,681)
no data	616012	(67,920)
Total Receivables Outstanding on Closed Projects		**$702,362**

Unit	Sponsored Project Code	Amount
Encumbered and Pre-encumbered Funds on Unclosed Projects		
National Postal Museum	692387	$ 56,785
National Museum of Natural History	191408	44,521
Smithsonian Tropical Research Institute	505091	43,703
Cooper-Hewitt, National Design Museum	511252	15,028
National Museum of Natural History	505325	2,983
Smithsonian Tropical Research Institute	505162	1,100
Smithsonian Environmental Research Center	277008	(5,000)
Total Encumbered and Pre-encumbered Funds on Unclosed Projects		**$159,120**

Source: OIG obtained information from the Smithsonian Institution's Enterprise Resource Planning Financials System.

Smithsonian
Office of the Under Secretary for Finance and Administration

OFFICIAL MEMO

DATE	May 28, 2025
TO:	Nicole Angarella, Inspector General
FROM:	Ron Cortez, Under Secretary for Finance and Administration/CFO
CC:	Joan Mockeridge, Assistant Inspector General for Audits, Inspections and Evaluations
	John Lynskey, Deputy CFO/Controller
	Karen Otiji, Director, Office of Sponsored Projects
	Catherine Chatfield, Program Manager, Enterprise Risk Management and OIG Liaison
SUBJECT:	OIG Formal Draft – Audit of Smithsonian's Management of Sponsored Projects

Thank you for providing the Office of the Inspector General (OIG) formal draft audit report for Smithsonian's Management of Sponsored Projects on May 5, 2025. The Smithsonian has reviewed the formal draft and appreciates the important points raised in the audit report. Overall, we appreciated the report's positive reflection on all the work done by the Office of Sponsored Projects (OSP). The Smithsonian welcomes the opportunity to strengthen internal controls and improve where needed.

Section 1: Response to Recommendations

OIG recommends that the OSP Director take the following steps:

    1. Update the Sponsored Projects Handbook in these ways:
        a. Implement controls related to residual funds on fixed price projects to address excessive balances; and
        b. Ensure that the financial review, record, and reconciliation procedures provide sufficient guidance for units to meet minimum standards of documentation.

Management Response: We concur in principle and are taking the following steps to address the audit findings.

Language will be added to the existing Sponsored Projects Handbook to document current practices for fixed price project excessive balances. The detail needed for units' financial review, records, and reconciliation procedures to provide sufficient guidance to meet minimum documentation standards are

satisfied in the implemented mandatory training. The Sponsored Projects Handbook does not quote or duplicate source training documents because they change over time. Language for mandatory training was added to the Sponsored Project Handbook and mandatory training is required for unit access to sponsored project funding.

We understand that this may be less than what OIG has asked us to provide. We have provided our business reasons for our approach and believe these will meet the spirit of the recommendation.

Target date for completion: 9/30/25

2. Implement mandatory training and track attendance for unit PIs, unit Fund Managers, and others identified by OSP as involved in the sponsored project program that:
> **a. Covers key responsibilities including but not limited to project identification and initiation, financial management (payroll and non-payroll), reporting, and closeout; and**
> **b. Provides examples of how to document financial reviews, unit expenditure records, and quarterly reconciliations in accordance with the updated *Sponsored Projects Handbook*.**

Management Response: We concur in principle and have provided the applicable documentation, and will continue to work with OIG.
Target date for completion: 9/30/25

3. Incorporate key internal processes in written policies and procedures concerning OSP: (1) reviewing project activities and balances; (2) monitoring sponsored projects; and (3) using checklists.

Management Response: We concur and are taking the following steps to address the audit findings.

OSP will add language to existing written internal procedures regarding the current practices of reviewing project activities and balances; monitoring sponsored projects; and using checklists.

Target date for completion: 9/30/26

OIG recommends that the OSP Director, in coordination with a designated representative for AIB, take the following steps:

4. Determine and document the allowability of the questioned $157,850 for payroll costs and $74,382 for non-payroll costs charged to Project 505247 and resolve any costs determined to be disallowed with the sponsor.

Management Response: We concur in principle and have provided the applicable documentation and will continue to work with OIG.

Target date for completion: 9/30/25

OIG recommends that the OSP Director, in coordination with the Director of SSEC, take the following steps:

5. Determine and document the allowability of the questioned $81,924 for payroll costs charged to Project 505223 and resolve any costs determined to be disallowed with the sponsor.

Management Response: We concur in principle and have provided the applicable documentation and will continue to work with OIG.

Target date for completion: 9/30/25

6. Develop and implement written unit timekeeping procedures in compliance with Smithsonian policies.

Management Response: We concur and are taking the following steps to address the audit findings.

Project managers for Sponsored Projects must follow Smithsonian-wide payroll guidelines that specifically address Sponsored Projects. The Sponsored Project Handbook leverages Smithsonian wide payroll guidelines with reference to Smithsonian-wide guidelines, sponsor requirements and mandatory training. The Sponsored Project Handbook does not quote or duplicate source guideline documents because they change over time. Additionally, Mandatory Sponsored Project Training leverages Smithsonian-wide payroll guidelines and provides guidance to manage and reconcile project activity. The Sponsored Project Handbook's existing language will be updated to better align with training language for payroll.

Target date for completion: 9/30/25

OIG recommends that the OSP Director, in coordination with the Director of the National Zoo, take the following steps:

> 7. Determine and document the allowability of the questioned $24,260 for non-payroll costs charged to Project 786172 and resolve any costs determined to be disallowed with the sponsor.
>
> Management Response: We concur in principle and have provided the applicable documentation and will continue to work with OIG.
>
> Target date for completion: 9/30/25

OIG recommends that the OSP Director, in coordination with the recipient units, take the following steps:

> 8. Determine and document the allowability of the questioned $118,238 from catering costs charged to government-funded projects and resolve any costs determined to be disallowed with the sponsor(s).
>
> Management Response: We concur and are taking the following steps to address the audit findings.
>
> OSP will review catering costs (participant support) charged to government-funded projects and will reallocate funds where applicable.
>
> Target date for completion: 9/30/25
>
> 9. Develop and implement procedures to monitor the following:
> a. The timeliness and compliance of units' project expenditure reviews, records, and reconciliations with the updated *Sponsored Projects Handbook*; and
> b. The timely submission of reports to sponsors.
>
> Management Response: We concur and are taking the following steps to address the audit findings.
>
> Language will be added to existing written internal procedures to document current practices for monitoring unit compliance and timely submission of reports to sponsors.
>
> Target date for completion: 9/30/26

OIG recommends that the OSP Director, in coordination with recipient units and other responsible central administrative offices, take the following actions:

10. Develop and implement a process to resolve balances prior to closeout and standardize the timeframe to complete all components of project closeout.

Management Response: We concur and are taking the following steps to address the audit findings.

Language will be added to existing written internal procedures to document current practices for completing project closeout.

Target date for completion: 9/30/26

11. Resolve the $3,833,459 of available balances identified in this report that could potentially be put to better use.

Management Response: We concur and are taking the following steps to address the audit findings.

OSP worked with units across the Smithsonian and resolved $2,881,969 of the $3,833,459 available budget balances identified. OSP will work to resolve remaining available balances and will provide an update with the disposition of funds with the request to close this recommendation.

Target date for completion: 9/30/25

12. Resolve the $702,362 of receivables balances identified in this report that could potentially be put to better use.

Management Response: We partially concur and are taking the following steps to address the audit findings.

$690,127 of the $702,362 account receivable balances that OIG identified were offset by the department or project ID bringing each balance to zero. These were FY 2001 converted balances from the prior legacy system. The offsets are appropriate to the Smithsonian Financial Statements, do not affect project spending, and require no further action. The remaining FY 2001 converted balance of $12,235 is immaterial and will be considered for possible write-off. While we concur that the accounting documentation needs to be reconciled and documented appropriately, we respectfully observe that a reconciliation would not meet the request to put these funds to better use.

Target date for completion: 9/30/25

13. Resolve the $159,120 of encumbered and pre-encumbered balances identified in this report that could potentially be put to better use.

Management Response: We concur and are taking the following steps to address the audit findings.

$140,182 of the $159,120 encumbrances identified by OIG are resolved. OSP will work to resolve remaining encumbrance balances and will provide an update with the disposition of funds with the request to close this recommendation.
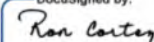
Target date for completion: 9/30/25

Section 2: General Response to the Audit
We know that these insights will improve our programs. We appreciate the significant level of effort expended on this audit and the dialogue to clarify expectations.

Thank you for your valued support. Please contact Catherine Chatfield and Teresa Neese should you have additional questions.

Much appreciation,

DocuSigned by:

Ron Cortez

44E76D74D8354CB...

Ron Cortez, JD, MA

OFFICE OF THE INSPECTOR GENERAL

Smithsonian

OIG's Mission	Our mission is to promote the efficiency, effectiveness, and integrity of the Smithsonian Institution's programs and operations through independent and objective audits and investigations and to keep stakeholders fully and currently informed.
Reporting Fraud, Waste, and Abuse to OIG Hotline	OIG investigates allegations of waste, fraud, abuse, gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on Smithsonian Institution programs and operations. If requested, anonymity is assured to the extent permitted by law. Although you may remain anonymous, we encourage you to provide us with your contact information. The ability to gather additional information from you may be the key to effectively pursuing your allegation. To report fraud and other serious problems, abuses, and deficiencies, you can do one of the following: Send an email to: oighotline@oig.si.edu. Visit OIG's website: https://oig.si.edu. Write to: Office of the Inspector General Smithsonian Institution P.O. Box 37012, MRC 524 Washington, D.C. 20013-7012.
Obtaining Copies of Reports	To obtain copies of Smithsonian Institution OIG reports, go to OIG's website: https://oig.si.edu or the Council of the Inspectors General on Integrity and Efficiency's website: https://oversight.gov.