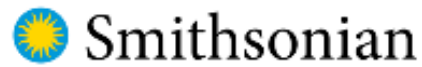


OFFICE OF THE INSPECTOR GENERAL



Financial Management: Opportunities Exist for Smithsonian Enterprises to Improve Its Retail Cash Management Operations



Smithsonian Institution Building
(The Castle)

OIG-A-25-08
SEPTEMBER 29, 2025

In Brief

Financial Management: Opportunities Exist for Smithsonian Enterprises to Improve Its Retail Cash Management Operations

OIG-A-25-08, September 29, 2025

Background

Smithsonian Enterprises (SE) oversees the majority of the revenue-generating operations of the Smithsonian Institution (Smithsonian). It is an essential source of unrestricted funds—monies without donor-imposed or legal restrictions on their use. SE provides unrestricted funds to the Smithsonian through the operation of revenue-generating activities.

In SE's fiscal year (FY) 2023, SE generated \$150.8 million in net revenue, including more than \$63 million from 32 retail stores, approximately \$10.7 million of which were cash transactions.

What OIG Did

This audit determined the extent to which SE had effective controls over cash management in its retail operations in SE's FY 2023.

OIG reviewed whether SE store management appropriately audited cash maintained in green bags, cash registers, and safes. OIG also analyzed point-of-sale system access reports covering all SE employees to determine whether only authorized employees had access to the system. Finally, OIG analyzed more than 140,000 discounted transactions to determine whether discounts were accurate and consistent with SE procedures.

What OIG Found

SE did not consistently maintain effective controls over cash management operations at its retail stores. OIG identified several opportunities to improve controls over these operations.

Records Retention. Two SE retail stores prematurely discarded documentation (such as bank deposit tickets and safe search reports) supporting cash transactions. Maintaining these records is necessary to resolve discrepancies or questions concerning the accuracy of bank deposits or transaction amounts.

Required Audits. OIG sampled 5 of the 14 locations housing SE retail stores to review the results of green bag and cash register audits for August 2023 and safe audits for SE's FY 2023. The review disclosed that SE did not consistently complete these audits in accordance with its procedures. OIG observed the following:

- **Green Bag Audits.** At four retail locations, managers and supervisors completed only 55 of the 101 required green bag audits (54 percent) for August 2023.
- **Cash Register Audits.** At three retail locations, managers completed only 97 of the 165 required cash register audits (59 percent) for August 2023.
- **Safe Audits.** In SE's FY 2023, one retail location performed only 119 of the 728 required safe audits (16 percent).

Green bag, cash register, and safe audits were not performed at the required frequency because the applicable procedures did not require a responsible official to review the audit results on a regular basis. Such audits discourage employees from stealing cash and help ensure that financial records are accurate.

Point-of-Sale (POS) Access. SE did not consistently block store employees' access to its POS system on their last day of employment, as required by procedures. The SE Office of the Chief Information Officer (OCIO) found that store managers for 7 retail locations had not blocked POS system access for 57 separated employees from May 1, 2023, through October 31, 2023. OIG determined that the average elapsed time between separation and termination of POS access was 32 to 91 days. Access to the POS system could be compromised unless SE takes corrective action.

Discounts. Of the 95 discount codes in the POS system, the majority were not used in SE's FY 2023 and were not included in SE's discounts procedure, suggesting that they were potentially invalid but available for use. OIG found the following:

- Of the 36 discount codes used in SE's FY 2023, only 9 were listed in the discounts procedure.
- SE did not use the remaining 59 codes programmed in the POS system.

This issue occurred because SE had not updated its discount procedures since 2007 and did not have a procedure to remove codes when they were no longer needed. Out-of-date discount procedures and old codes in the POS system can confuse cashiers and allow them to apply inappropriate discounts, ultimately resulting in lost revenue on retail sales.

What OIG Recommended

OIG made four recommendations to revise and implement updated procedures for document retention; green bag, store register, and retail safe audits; and discounts—as well as to update and implement SE's employee separation checklist. Management concurred with all recommendations.

**OFFICE OF THE
INSPECTOR GENERAL**

Memo



Date: September 29, 2025

To: Meroë S. Park, Deputy Secretary and Chief Operating Officer
Carol LeBlanc, President, Smithsonian Enterprises (SE)

Cc: Denise Elliott, SVP Media Group and Acting Senior Vice President,
Finance and Accounting, SE
Suzanne Paletti, Controller, SE
Ray Moore, Sr. Vice President, Retail Group, SE
Frank DiGiovine, Vice President, Finance, Budgeting, and Analysis, SE

From: Nicole L. Angarella, Inspector General

Signed by:

A handwritten signature in black ink that reads "Nicole L. Angarella".

6E3A9C42718646B

Subject: *Financial Management: Opportunities Exist for Smithsonian Enterprises to Improve Its Retail Cash Management Operations* (OIG-A-25-08)

This memorandum transmits our final audit report on *Financial Management: Opportunities Exist for Smithsonian Enterprises to Improve Its Retail Cash Management Operations*. The objective of this audit was to determine the extent to which Smithsonian Enterprises had effective controls over cash management in its retail operation in SE's fiscal year 2023.

We made four recommendations for Smithsonian management to improve compliance with Smithsonian Enterprises policies and procedures related to document retention policies, audits over cash management, system access for separated employees, and discounts. Management concurred with all the recommendations.

We appreciate the courtesy and cooperation of all Smithsonian Enterprises 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

INTRODUCTION.....	1
BACKGROUND	2
SE Organizational Structure and Employee Responsibilities.....	2
Internal Controls for Cash Management	4
RESULTS OF AUDIT.....	6
Two SE Retail Stores Prematurely Discarded Documentation Supporting Cash Transactions .	6
SE Did Not Consistently Complete Cash Audits in Accordance with Its Procedures	7
POS System Access Was Not Blocked in a Timely Manner after Employees Separated from the Smithsonian	10
More than Half of the Discount Codes in the POS System Were Potentially Invalid.....	11
CONCLUSIONS	12
RECOMMENDATIONS.....	12
MANAGEMENT COMMENTS AND OIG EVALUATION.....	13
Appendix I: Objective, Scope, and Methodology.....	14
Appendix II: Organization of Smithsonian Enterprises' Retail Group	17
Appendix III: Untimely Blocking of Point-of-Sale Login IDs	18
Appendix IV: Detail of Smithsonian Enterprises' Retail Discounts.....	21
Appendix V: Management Comments.....	24

Figures

Figure 1. SE Retail Group's Position Hierarchy.....	3
Figure 2. SE Retail Group's Organizational Chart.....	17

Tables

Table 1. Green Bag Audits Completed in August 2023.....	8
Table 2. Cash Register Audits Completed in August 2023.....	9
Table 3. Safe Audits Completed in SE's FY 2023	10
Table 4. Average Number of Days to Identify Separated Employees with Active POS Access	11
Table 5. Discount Codes in SE's POS System as of September 30, 2023	11
Table 6. Internal Control Components and Principles Significant to the Audit Objective	15
Table 7. Number of Days Elapsed Between Employees' Separation Dates and the Completion of SE's Bi-Annual Review of POS Access	18
Table 8: POS System Discount Codes and Whether They Were Included in SE's Discounts Procedure or Used in SE's FY 2023	21

Abbreviations

FY	Fiscal Year
GAO	Government Accountability Office
HMSG	Hirshhorn Museum and Sculpture Garden
NASM	National Air and Space Museum
NMNH	National Museum of Natural History
NPM	National Postal Museum
NZCBI	National Zoo and Conservation Biology Institute
OIG	Office of the Inspector General
POS	Point-of-Sale
SD	Smithsonian Directive
SE	Smithsonian Enterprises
SE OCIO	Smithsonian Enterprises Office of the Chief Information Officer
Smithsonian	Smithsonian Institution

INTRODUCTION

Smithsonian Enterprises (SE) oversees the majority of the revenue-generating operations of the Smithsonian Institution (Smithsonian) and is an essential source of unrestricted funds, which are monies without donor-imposed or legal restrictions on their use. SE provides unrestricted funds to the Smithsonian through the operation of revenue-generating activities that include retail stores. In SE's fiscal year (FY) 2023, SE generated \$150.8 million in net revenue, including more than \$63 million from 32 retail stores, approximately \$10.7 million of which represented cash transactions (17 percent).¹

The objective of this audit was to determine the extent to which SE had effective controls over cash management in its retail operations in SE's FY 2023. The Office of the Inspector General (OIG) conducted this audit because the handling of cash in retail settings has inherently high risks. Effective controls are important to minimize the loss or theft of cash.

To accomplish this objective, OIG interviewed SE retail management regarding cash management processes and procedures. In addition, OIG determined whether only authorized SE employees had access to the point-of-sale (POS) system and whether discount codes used in SE's FY 2023 were valid and authorized. Finally, OIG reviewed the results of green bag, cash register, and safe audits from a sample of locations with retail stores.²

For a detailed description of OIG's objective, scope, and methodology, see Appendix I.

OIG conducted this performance audit in Washington, D.C., from December 2023 through September 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 objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on its audit objective.

¹ SE's FY 2023 ran from September 25, 2022, through September 30, 2023.

² Locations represent 13 museums and the Ronald Reagan Washington National Airport.

BACKGROUND

The Smithsonian relies on a variety of funding sources to finance its mission to increase and diffuse knowledge, including federal appropriations, donor contributions, government grants, membership income, and revenue from sales at SE-operated stores. SE plays a pivotal role in earning revenue for the Smithsonian, as indicated in its mission statement: “To engage in successful and profitable revenue generating business activities that support and extend the Smithsonian’s mission, values and reputation.”

SE is led by a President—a Trust employee—and primarily consists of three business areas: Retail, Media, and Travel. SE Retail generates revenue through retail stores, movie theaters, food and concession operations, and parking. SE Media earns revenue through the Smithsonian magazine and Smithsonian television channel, while SE Travel generates proceeds through Smithsonian Journeys and Smithsonian Student Travel.

SE Organizational Structure and Employee Responsibilities

During SE's FY 2023, SE Retail oversaw 32 stores in 13 museums and Ronald Reagan Washington National Airport. For additional detail, see Appendix II for SE Retail's organizational structure.

According to the Acting Senior Vice President for Finance and Accounting, when OIG began this audit in December 2023, there were 370 SE Retail employees, with more than 250 working in the stores. Their salaries were all covered by Trust Funds. For the hierarchy of SE Retail positions, see Figure 1.

Figure 1. SE Retail Group's Position Hierarchy



Source: Interviews with retail directors and store managers and SE Retail Operations Store Contact Information (updated March 13, 2023).

SE's Retail Group includes the following roles:

- **The Senior Vice President of SE Retail** manages the Retail Group and reports directly to the SE President. This individual leads all SE retail operations across the Smithsonian except for e-commerce. This executive oversees strategic planning, financial performance, merchandising, stakeholder engagement, and museum relations for all store, food and beverage, theater, and planning and design activities.
- **Retail Directors** report to the Senior Vice President. One retail director oversees store operations at nine museums, and another retail director oversees stores at four museums and the store at Ronald Reagan Washington National Airport. Retail directors provide oversight to help ensure that store personnel conduct required audits. They also monitor retail sales and work with store managers to track sales goals.
- **Store Managers** process refunds and exchanges and determine price adjustments on damaged merchandise. Store managers include group, area, and operations managers. Group managers oversee area managers, and together they monitor cash audits of green bags, cash registers, and safes. Group and area managers are typically responsible for performing daily opening and closing procedures, preparing daily bank deposits, conducting daily safe audits, and training employees to appropriately handle cash.

Operations managers are generally responsible for store inventory and for placing change orders with the bank.

- **Floor Supervisors** are overseen by store managers, and they perform procedures to open and close the stores; prepare daily bank deposits; and conduct green bag, cash register, and safe audits.
- **Retail employees** provide customer service to visitors, ring up transactions, handle refunds and void the related transactions in the POS system, and stock inventory. Retail employees are responsible for correctly recording their starting cash and safeguarding funds during their shift.

Internal Controls for Cash Management

Internal control is a process used by management to help an entity achieve its objectives. Management's control activities over cash help to safeguard this important asset. These activities include tracking individuals who make cash transactions, reconciling cash with cash register receipts, and securing cash in safes. Oversight of cash management is also key and can be accomplished through audits, removal of past employees' access to the POS system, and maintaining records of cash transactions for a period of time to research errors and potential fraud. The Smithsonian has recognized the importance of such internal controls in Appendix A of Smithsonian Directive (SD) 310. The appendix lists SE as a Smithsonian "area of activity" for which internal controls are critical in financial operations, and it specifically highlights cash receipts and cash disbursements as applicable cash management processes.³

Maintaining and Monitoring Cash

Auditing cash is crucial in a retail setting because audits discourage employees from mishandling cash and help management detect errors and variances in cash balances. SE Retail conducts the following three types of audits related to cash:

- **Green bag audits.** Green bags contain the cash that employees load into the cash register at the beginning of their shift. At the end of their shift, employees place the same opening cash amount back in their green bag. Each employee has a unique, sealed green bag, which is stored in the store safe when the employee is not working. According to SE procedures, store management must conduct unannounced monthly audits at the start or end of an employee's shift. All audits must be recorded on an audit log.⁴
- **Cash register audits.** Cash register audits are random, unannounced spot-checks of the cash in a cashier's register by store management. A manager counts the cash in the register and compares the total to the cash balance indicated on a printout tape

³ SD 310, *Financial Reporting and Risk Management Internal Controls* (March 25, 2014); SD 310, Appendix A: Critical Financial Processes (March 25, 2014).

⁴ SE Procedure 603, *Retail Green Bag Audit* (February 1, 2017). All employees are subject to green bag audits except in limited circumstances. For instance, employees might not be audited if they work only a few days at the start of the month or are loaned by another store for a brief period.

generated by the POS system. SE procedures require store managers to conduct these audits on a weekly basis and to audit all employees at least twice a month. These audits are recorded in the cash register audit log.⁵

- **Safe audits.** To secure cash, SE maintains a safe at the Ronald Reagan Washington National Airport store and at each museum with a retail store. Safe amounts vary depending on daily transaction activity and the store's cash needs. Store managers use cash from the safe to replenish cash registers as needed throughout the day. SE procedures require store managers or floor supervisors to count the safe at opening and closing and to record their initials and the amount of cash on a safe count sheet. Store management must submit an incident report to SE's Accounting Department for any cash overage of \$25 or more or any shortage of \$1 or more.⁶

Point-of-Sale System Access

By implementing POS system access controls, businesses can limit unauthorized access and strengthen oversight of cash handling. SE Retail uses a POS system to manage cash and credit card transactions. Access to the POS system allows SE employees to process transactions for retail purchases and apply discounts. Before accessing a cash register, the store manager must assign a unique POS system login ID to new employees. This login ID, coupled with a password, gives SE employees access to the POS system. When SE employees separate from the organization, store managers must block their POS system access on their last day of employment.⁷

Records Retention

Financial documents are critical to demonstrate sound cash management and assist SE in resolving discrepancies. SE procedures state that financial documents should be kept for seven years, including "deposit slips, deposit bag tags, armored carrier pickup logs, and any other documents that pertain to cash handling that the store generates."⁸

⁵ SE Procedure 625, *Store Register Audit* (February 1, 2017). Similar to green bag audits, all employees are subject to cash register audits unless they work at a store for a brief period during the month.

⁶ SE Procedure 601, *Retail Safe Funds* (October 6, 2010).

⁷ SE Procedure 605.01A, *Register Security on Point-of-Sale: Stores* (August 2, 2011).

⁸ SE Procedure 414, *Document Retention Policies for Smithsonian Enterprise Stores* (February 24, 2021).

RESULTS OF AUDIT

SE did not consistently maintain effective controls over cash management. Specifically, SE:

- prematurely discarded documentation supporting financial transactions made with cash, which could hinder attempts to research transaction discrepancies;
- did not perform audits of cash in accordance with SE procedures, potentially resulting in the undetected theft of cash or errors;
- did not timely block login IDs for the POS system after employees separated from SE, which could allow unauthorized access to cash registers; and
- kept potentially invalid and unauthorized discount codes in its POS system, providing the opportunity for cashiers to apply inappropriate discounts.

Two SE Retail Stores Prematurely Discarded Documentation Supporting Cash Transactions

SE retail locations at the National Postal Museum (NPM) and the Hirshhorn Museum and Sculpture Garden (HMSG) discarded financial documentation prior to the required retention time of seven years. Specifically, by the time OIG conducted site visits in May 2024, store management at NPM had purged the first three months of financial files from SE's FY 2023, and store management at HMSG had discarded the first six months of SE's FY 2023 monthly financial files. The type of files discarded typically contain support for cash transactions, such as the following:

- **Bank deposit tickets and deposit bag tear-off receipts** detail the deposit date, the total of cash deposited from daily sales, and the employee who prepared the deposit.
- **Safe Search Reports** show the daily starting cash from the safe, all cash transaction amounts during the day, and the amount of starting cash stored in the safe at closing.
- **Target Store Reports** summarize a variety of cash-related statistics, such as daily retail sales, the number of voided receipts and who voided them, the frequency of using the “No Sale” function key, and the amount of returns and discounts.⁹

Maintaining these records is necessary to resolve discrepancies or questions concerning the accuracy of bank deposits or transaction amounts. Without them, SE's Finance and Accounting Department cannot research variances or reconcile cash payments to bank statements.

According to the SE Controller, SE Retail follows the *Smithsonian-wide Records Disposition Schedule*, which states that general accounting records should be maintained for six years and

⁹ The “No Sale” function key allows the cashier to open the cash register drawer for a transaction not involving a purchase, such as to provide change to a customer.

three months.¹⁰ However, an SE-specific procedure provides a more restrictive requirement stating that financial documents should be maintained for seven years—including deposit slips, deposit bag tags, armored carrier pick-up logs, and other documents that pertain to cash handling.¹¹

Even though SE management provided store managers the procedure for document retention, the store managers were not periodically reminded of the requirements and did not fully understand the timeline for retaining financial and store-specific documents. For instance, the NPM and HMSG store managers stated that they knew of the SE document retention procedure but had not reviewed it recently. They said they were directed to review the procedure when a change is made, but no change has been made since 2021. OIG observed that SE retail directors did not exercise sufficient oversight to ensure that the stores kept all necessary documents for the required period of time.

SE Did Not Consistently Complete Cash Audits in Accordance with Its Procedures

SE group managers, area managers, and floor supervisors are collectively responsible for performing routine audits of cash in green bags, cash registers, and safes. OIG sampled 5 of the 14 locations housing SE retail stores to review the results of green bag and cash register audits for August 2023 and safe audits for SE's FY 2023.¹² The review disclosed that SE did not consistently perform the audits in accordance with its procedures.

Green Bag Audits

OIG was unable to test green bag audit records at 1 of the 5 sampled locations. A former store manager for the Smithsonian's National Zoo and Conservation Biology Institute (NZCBI) had improperly discarded green bag audit records by the time of OIG's review in May 2024. For the remaining 4 sampled locations, store managers and floor supervisors completed only 55 of 101 required monthly green bag audits for August 2023. Specifically, the National Air and Space Museum (NASM) stores performed 34 green bag audits, and the National Museum of Natural History (NMNH) stores completed only 6 audits. The stores at HMSG and NPM completed all of their green bag audits that month. Table 1 shows the number and percentage of completed green bag audits.

¹⁰ SD 501, *Archives and Records of the Smithsonian Institution* (August 2, 1985). General accounting records include miscellaneous reimbursements, cash receipt vouchers, invoices, check copies, and related materials.

¹¹ SE Procedure 414, *Document Retention Policies for Smithsonian Enterprise Stores* (February 24, 2021).

¹² The five sampled locations consisted of the Hirshhorn Museum and Sculpture Garden (HMSG), the National Air and Space Museum (NASM), the National Museum of Natural History (NMNH), the National Postal Museum (NPM), and the National Zoo and Conservation Biology Institute (NZCBI).

Table 1. Green Bag Audits Completed in August 2023

Location	Number of Completed Audits	Number of Required Audits	Percentage of Completed Audits
Hirshhorn Museum and Sculpture Garden	10	10	100%
National Air and Space Museum	34	40	85%
National Museum of Natural History	6	46	13%
National Postal Museum	5	5	100%
National Zoo and Conservation Biology Institute	Unknown ^a	Unknown ^a	N/A
TOTAL	55	101	54%

Source: August 2023 green bag audit logs from sampled locations.

^a NZCBI stores were unable to provide green bag audit records for August 2023.

SE procedures state that “retail management is required to perform random staff green bag audits on a monthly basis. It is expected that all associates should be audited at least once per month. All audits must be recorded on an audit log.” Additionally, the retail director or group manager should review this log monthly to ensure compliance with the audit procedure.¹³

Even though all seven store managers interviewed by OIG—including those managing the NASM and NMNH stores—were aware of the monthly audit requirement, two store managers did not complete all required green bag audits. Additionally, the two SE retail directors did not provide adequate oversight of green bag audits. Although the retail directors said they ensured that the audits were happening during visits to individual stores, the associated files did not include documentary evidence to attest that such oversight actually occurred. According to one group manager, the retail director overseeing their store had performed periodic reviews prior to the COVID-19 pandemic but not since then.

Green bag audits were not performed at the required frequency because the applicable procedure did not require a responsible official to review the audit results on a regular basis. Additionally, the procedure collectively assigns responsibility for conducting these audits to store management rather than to a specific position title. This hinders SE from holding individual employees responsible for not completing the green bag audits.

Cash Register Audits

For two of the five sampled locations (HMSG and NZCBI), store managers were not able to provide any cash register audits because their stores had improperly discarded the records prior to OIG’s review in May 2024. For the other three sampled locations, store managers completed 97 of 165 required audits for August 2023. Specifically, NASM stores completed 55 required audits, and NMNH stores completed 34 required audits. NPM completed all 8 of its audits. For the number and percentage of cash register audits completed, see Table 2.

¹³ SE Procedure 603, *Retail Green Bag Audit* (February 1, 2017).

Table 2. Cash Register Audits Completed in August 2023

Location	Number of Completed Audits	Number of Required Audits	Percentage of Completed Audits
Hirshhorn Museum and Sculpture Garden	Unknown ^a	Unknown ^a	N/A
National Air and Space Museum	55	73	75%
National Museum of Natural History	34	84	40%
National Postal Museum	8	8	100%
National Zoo and Conservation Biology Institute	Unknown ^a	Unknown ^a	N/A
TOTAL	97	165	59%

Source: August 2023 cash register audit logs from sampled locations.

^a HMSG and NZCBI stores were unable to provide cash register audit records for August 2023.

SE procedures state that “store management is required to perform random cash register [audits]...at least twice per month” for all employees who process sales transactions.¹⁴ Cash register audits were not performed at the required frequency because the applicable procedure did not specifically identify who in store management should perform the audits and did not require anyone to review the audit results on a regular basis. This hinders SE from holding specific employees responsible for not completing the audits.

Safe Audits

SE store management at the HMSG store did not consistently complete and record twice-daily safe audits on safe count logs in SE's FY 2023; they performed only 119 of 728 required safe audits.¹⁵ However, the stores at the other four locations in OIG's audit sample completed all or nearly all required safe audits. Table 3 shows the number and percentage of safe audits completed in SE's FY 2023 for the sampled locations.

¹⁴ SE Procedure 625, *Store Register Audit* (February 1, 2017).

¹⁵ OIG was able to test only four months of HMSG's records in SE's FY 2023 because HMSG purged records prior to OIG's review in May 2024. Despite the missed safe audits, OIG found no safe cash shortages exceeding \$1, which would have warranted sending incident reports to SE management.

Table 3. Safe Audits Completed in SE's FY 2023

Location	Number of Completed Audits	Number of Required Audits	Percentage of Completed Audits
Hirshhorn Museum and Sculpture Garden	119 ^a	728	16%
National Air and Space Museum	708	728	97%
National Museum of Natural History	727	728	100%
National Postal Museum	728	728	100%
National Zoo and Conservation Biology Institute	719	724 ^b	99%

Source: SE's FY 2023 safe audit logs from sampled locations.

^a The figure for HMSG represents the completed audits from April 2, 2023, to July 1, 2023, and September 3, 2023, to September 30, 2023, because the HMSG store purged all other safe audit records from SE's FY 2023.

^b The figure for NZCBI represents the required audits during SE's FY 2023, adjusting for the days when the zoo was closed.

SE procedures state that store management—which could include group, area, and operations managers and floor supervisors—is collectively responsible for auditing safes twice a day at opening and closing. It also requires the cash amounts to be recorded on a Safe Count Sheet.¹⁶ However, safe audits did not consistently occur at HMSG, and SE procedures do not require retail directors to regularly review the safe count logs where the audits are documented. Even though retail directors stated that they review safe count logs quarterly, OIG could not verify this claim because they did not document their reviews.

Regular audits discourage employees from stealing cash due to the increased likelihood of getting caught and help ensure that financial records are accurate. However, collectively assigning responsibility for completing audits can lead to confusion among the responsible group, resulting in audits not being completed and limiting management's efforts to hold individual employees accountable for sound cash management.

POS System Access Was Not Blocked in a Timely Manner after Employees Separated from the Smithsonian

SE store management did not consistently block employees' access to the POS system on the last day of employment as required by SE procedures.¹⁷ Allowing access to the POS system after an employee separates provides an opportunity for the system to be compromised.

On November 1, 2023, the SE Office of the Chief Information Officer (SE OCIO) initiated a bi-annual review of employee access to the POS system. SE OCIO found that store managers from 7 locations had not blocked POS access for 57 employees who separated from the Smithsonian from May 1, 2023, through October 31, 2023. The average number of elapsed days ranged from 32 to 91 days for the 7 locations. Table 4 and Appendix III provide further details.

¹⁶ SE Procedure 601, *Retail Safe Funds* (October 6, 2010).

¹⁷ SE Procedure 605.01A, *Register Security on Point-of Sale: Stores* (August 2, 2011).

Because this process occurs bi-annually, an employee could have unauthorized POS access up to six months after separating from SE.

Table 4. Average Number of Days to Identify Separated Employees with Active POS Access

Location	Number of Employees	Average Number of Elapsed Days from Separation Date through November 1, 2023
National Air and Space Museum	22	45
National Air and Space Museum – Udvar Hazy Center	2	32
National Museum of African American History and Culture	3	76
National Museum of American History	4	37
National Museum of Natural History	22	34
National Museum of the American Indian – DC	2	49
National Zoo and Conservation Biology Institute	2	91
Total	57	

Source: Fall 2023 Semi-Annual User Recertification report and SE employment records.

On an employee's last day of work, store managers complete a separation/termination checklist. Even though the checklist includes a step to “cancel access to network, email or other system access,” it does not specifically require store managers to remove the employee's POS system access on their last day of employment.

More than Half of the Discount Codes in the POS System Were Potentially Invalid

Of the 95 discount codes in the POS system, the majority were not used in SE's FY 2023 and were not included in the discounts procedure, suggesting that they were potentially invalid but available for use.¹⁸ See Table 5 for details. OIG found that only 9 of the 36 discount codes used in SE's FY 2023 were listed in the discounts procedure. An additional 27 discount codes were used in SE's FY 2023, but were not included in SE's discounts procedure. The remaining 59 codes were not used in SE's FY 2023 but were still available for cashiers to apply to transactions.

Table 5. Discount Codes in SE's POS System as of September 30, 2023

Discount	Used in SE's FY 2023	Not Used in SE's FY 2023	Total Number of Codes
Listed in the Discounts Procedure	9	9	18
Not listed in the Discounts Procedure	27	50	77
Total Number of Codes	36	59	95

Source: SE's POS system and discounts procedure.

For additional details on the discount codes programmed into SE's POS system, see Appendix IV.

¹⁸ SE Procedure 612, *Discounts* (June 27, 2007).

This issue occurred because SE has not updated its discounts procedure since 2007 and did not have a procedure to remove codes from the POS system when no longer needed. Out-of-date procedures can confuse the hundreds of SE employees responsible for applying discounts, and keeping old codes in the POS system allows cashiers to apply inappropriate discounts, ultimately resulting in lost revenue on retail sales.

CONCLUSIONS

By examining SE's controls over cash management in retail operations, this report has highlighted ways to improve management oversight and demonstrate the importance of updating procedures on a regular basis. SE needs to update, implement, and enforce procedures and verify that controls surrounding cash management are functioning as intended through documented oversight. Failure to fully address these issues could impact SE's ability to effectively manage cash and oversee control activities. This could place cash revenues at risk that help fund the Smithsonian's museums and the Central Trust.

RECOMMENDATIONS

OIG recommends that the President of SE take the following steps:

1. Revise and implement SE's Document Retention Policies for Smithsonian Enterprise stores to:
 - a) require retail directors to periodically communicate the contents of this document to store management, and
 - b) require retail directors to perform periodic checks and document their review to ensure that financial document retention complies with SE policy.
2. Revise and implement the Retail Green Bag Audit, Store Register Audit, and Retail Safe Fund procedures to:
 - a) assign specific positions with the responsibility to conduct audits and daily safe counts,
 - b) require retail directors and group managers to document their review of monthly audits, and
 - c) require retail directors to document their quarterly review of daily safe count sheets.
3. Update and implement SE's *Separation/Termination Checklist* to include a step to block separated employees' POS system access on their last day of employment.
4. Revise and implement the *Discounts* procedure to:
 - a) reflect only valid discounts,

- b) require that the procedure be reviewed and updated periodically, and
- c) require that the discount codes programmed in the POS system be reviewed and updated periodically so only authorized and valid discount codes are applied to transactions.

MANAGEMENT COMMENTS AND OIG EVALUATION

OIG provided SE a draft of this report for review and comment, and SE management provided written comments that are reproduced in their entirety in Appendix V. In its comments, management concurred with all of the recommendations and outlined actions already taken and actions planned to address them. OIG evaluated management's response and determined that its planned actions address the intent of the recommendations.

Appendix I

Objective, Scope, and Methodology

The objective of this audit was to determine the extent to which Smithsonian Enterprises (SE) had effective controls over cash management in its retail store operations during SE's fiscal year (FY) 2023.

To accomplish the objective, the Office of the Inspector General (OIG) interviewed SE officials responsible for cash management in retail operations, including the SE Controller, the Chief Information Officer, the Senior Vice President of Finance and Accounting, the Senior Vice President of the Retail Group, retail directors, store managers, floor supervisors, and retail employees.

For site visits and cash management testing, OIG initially selected a judgmental sample of 3 locations from the 13 museums and Ronald Reagan Washington National Airport that housed operating SE retail stores during SE's FY 2023. These included stores at the National Air and Space Museum (NASM), Smithsonian's National Zoo and Conservation Biology Institute (NZCBI), and the Hirshhorn Museum and Sculpture Garden (HMSG). These locations were selected to capture a variety of store sizes and to ensure that OIG reviewed stores overseen by both retail directors. However, during site visits, OIG determined that SE employees from the HMSG and NZCBI stores had discarded some financial files necessary to perform audit testing. Therefore, OIG selected SE retail stores at two additional locations for testing—the National Postal Museum (NPM) and the National Museum of Natural History (NMNH).

OIG reviewed whether SE store management appropriately audited cash maintained in green bags, cash registers, and safes, as follows:

- **Green bag audits.** To determine if SE employee green bags were audited monthly, OIG used a random number generator to select 35 employees who worked at the HMSG, NASM, NMNH, and NPM museum stores in August 2023.¹⁹ That month was selected because it falls within SE Retail's busy summer season. OIG also compiled a list of all employees with point-of-sale (POS) system transaction records in August 2023 to compare them to the employees listed on the green bag audit logs at the HMSG, NASM, NMNH, and NPM museum stores.
- **Cash register audits.** To determine if SE employee cash registers were audited at least twice per month, OIG used a random number generator to select 15 employees at the NASM, NMNH, and NPM museum stores who had maintained supporting documentation for August 2023.²⁰ OIG selected that month because it falls within SE Retail's busy summer season. OIG also compiled a list of all employees working with POS

¹⁹ Although OIG randomly selected another 10 employees at the NZCBI, OIG was unable to test green bag audits because the group manager for NZCBI had discarded the audit logs prior to OIG's review.

²⁰ The NZCBI and HMSG stores had discarded cash register audit logs and supporting files; therefore, OIG could not perform testing at those locations.

system transaction records in August 2023 to compare them to the employees listed on the cash register audit logs at the NASM, NMNH, and NPM museum stores.

- **Safe audits.** To determine the extent to which store managers evaluated, investigated, and documented safe variances, OIG reviewed all available safe audit logs for SE's FY 2023 for the HMSG, NASM, NMNH, NPM, and NZCBI museum stores. At HMSG, OIG could test only four months of safe audit logs for SE's FY 2023 because the store manager could not locate any additional supporting documentation for this location. OIG reviewed compliance with policies and procedures and evaluated whether negative variances over \$1 were appropriately documented on an incident report form and sent to the General Manager of Retail and the Business Manager.

OIG analyzed POS system access reports covering all SE employees to determine whether only authorized employees had access to the system. OIG also identified 113 separated SE employees from employment records and determined if SE had appropriately blocked their access to the POS system.

With regard to discounts, OIG determined if the discount codes programmed in SE's POS system matched the allowable discounts listed in SE procedures. In addition, OIG determined which discount codes in the POS system were not used in SE's FY 2023 to determine if any codes were potentially invalid. Finally, OIG analyzed more than 140,000 discounted transactions from SE's FY 2023 to determine whether member and employee discounts were accurate and consistent with SE procedures.

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 6:²¹

Table 6. Internal Control Components and Principles Significant to the Audit Objective

Risk Assessment Principles
• Define Objectives and Risk Tolerances
• Identify, Analyze, and Respond to Risks
• Assess Fraud Risk
Control Activities Principles
• Design Control Activities
• Design Activities for the Information System
• Implement Control Activities
Monitoring Principles
• Perform Monitoring Activities
• Evaluate Issues and Remediate Deficiencies

Source: OIG analysis of internal control components and principles.

²¹ Internal Controls are defined in the Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

OIG conducted this performance audit in Washington, D.C., from December 2023 through September 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 objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on its audit objective.

Organization of Smithsonian Enterprises' Retail Group

The following chart shows the structure of the Smithsonian Enterprises (SE) Retail Group. Two other groups are included: the Finance and Administration Group is involved in reconciliations for bank deposits, and the Chief Information Officer Group is involved with the point-of-sale system access and discount codes.

Figure 2. SE Retail Group's Organizational Chart



Source: SE Retail Operations Store Contact Information as of March 31, 2023.

Abbreviation:

SVP

Senior Vice President

Appendix III

Untimely Blocking of Point-of-Sale Login IDs

Table 7 illustrates the number of days elapsed between employees' separation dates and the completion of Smithsonian Enterprises' (SE) bi-annual review of employee access to the point-of-sale (POS) system. SE procedures require store managers to block employees' login IDs for the POS system on their last day of employment.²² The number of days elapsed between employees' separation date and the November 1, 2023 semi-annual review ranged from 1 day to 126 days—an average of 43 days.

Table 7. Number of Days Elapsed Between Employees' Separation Dates and the Completion of SE's Bi-Annual Review of POS Access

Count	Location	Employee Separation Date	Days Elapsed between Separation Date and 11/1/2023
1	National Air and Space Museum	8/12/2023	81
2	National Air and Space Museum	8/22/2023	71
3	National Air and Space Museum	8/24/2023	69
4	National Air and Space Museum	9/1/2023	61
5	National Air and Space Museum	9/6/2023	56
6	National Air and Space Museum	9/11/2023	51
7	National Air and Space Museum	9/12/2023	50
8	National Air and Space Museum	9/13/2023	49
9	National Air and Space Museum	9/14/2023	48
10	National Air and Space Museum	9/15/2023	47
11	National Air and Space Museum	9/23/2023	39
12	National Air and Space Museum	9/23/2023	39
13	National Air and Space Museum	9/23/2023	39
14	National Air and Space Museum	9/23/2023	39
15	National Air and Space Museum	9/23/2023	39
16	National Air and Space Museum	9/23/2023	39
17	National Air and Space Museum	9/23/2023	39
18	National Air and Space Museum	9/23/2023	39
19	National Air and Space Museum	9/23/2023	39
20	National Air and Space Museum	9/23/2023	39
21	National Air and Space Museum	10/6/2023	26
22	National Air and Space Museum	10/31/2023	1
National Air and Space Museum, Average Days Elapsed			45
23	National Air and Space Museum- Udvar Hazy Center	9/30/2023	32

²² SE Procedure 605.01A, *Register Security on Point-of-Sale: Stores* (August 2, 2011).

Count	Location	Employee Separation Date	Days Elapsed between Separation Date and 11/1/2023
24	National Air and Space Museum- Udvar Hazy Center	9/30/2023	32
National Air and Space Museum - Udvar-Hazy Center, Average Days Elapsed			32
25	National Museum of African American History and Culture	7/7/2023	117
26	National Museum of African American History and Culture	8/13/2023	80
27	National Museum of African American History and Culture	9/30/2023	32
National Museum of African American Heritage and Culture, Average Days Elapsed			76
28	National Museum of American History	8/15/2023	78
29	National Museum of American History	9/30/2023	32
30	National Museum of American History	9/30/2023	32
31	National Museum of American History	10/26/2023	6
National Museum of American History, Average Days Elapsed			37
32	National Museum of Natural History	8/20/2023	73
33	National Museum of Natural History	8/23/2023	70
34	National Museum of Natural History	8/23/2023	70
35	National Museum of Natural History	8/25/2023	68
36	National Museum of Natural History	8/25/2023	68
37	National Museum of Natural History	8/30/2023	63
38	National Museum of Natural History	8/31/2023	62
39	National Museum of Natural History	9/19/2023	43
40	National Museum of Natural History	9/24/2023	38
41	National Museum of Natural History	9/28/2023	34
42	National Museum of Natural History	9/30/2023	32
43	National Museum of Natural History	10/3/2023	29
44	National Museum of Natural History	10/12/2023	20
45	National Museum of Natural History	10/12/2023	20
46	National Museum of Natural History	10/12/2023	20
47	National Museum of Natural History	10/12/2023	20
48	National Museum of Natural History	10/23/2023	9
49	National Museum of Natural History	10/24/2023	8
50	National Museum of Natural History	10/27/2023	5
51	National Museum of Natural History	10/29/2023	3
52	National Museum of Natural History	10/31/2023	1
53	National Museum of Natural History	10/31/2023	1
National Museum of Natural History, Average Days Elapsed			34
54	National Museum of the American Indian - DC	8/28/2023	65
55	National Museum of the American Indian - DC	9/30/2023	32
National Museum of the American Indian, DC, Average Days Elapsed			49

Count	Location	Employee Separation Date	Days Elapsed between Separation Date and 11/1/2023
56	National Zoo and Conservation Biology Institute	6/28/2023	126
57	National Zoo and Conservation Biology Institute	9/7/2023	55
National Zoo and Conservation Biology Institute, Average Days Elapsed			91

Appendix IV

Detail of Smithsonian Enterprises' Retail Discounts

Smithsonian Enterprises' (SE) point-of-sale (POS) system is programmed to accept 95 discount codes although only 18 discounts are included in SE procedures, and only 36 discount types were actually used in SE's fiscal year (FY) 2023. SE provided the following discount descriptions and codes as they appear in the POS system. See Table 8 for details.

Table 8: POS System Discount Codes and Whether They Were Included in SE's Discounts Procedure or Used in SE's FY 2023

POS Discount Description	Code	Included in SE's Discounts Procedure?	Used in SE's FY 2023?	Discount Type
Nine Discount Codes Used in SE's FY 2023 and Included in SE's Discounts Procedure				
Smithsonian Employee	D05	Yes	Yes	Employee
Affiliate Discount	D85	Yes	Yes	Member
Air & Space Assoc	D14	Yes	Yes	Member
American Indian	D17	Yes	Yes	Member
Contributing Members	D10	Yes	Yes	Member
FONZ	D20	Yes	Yes	Member
National Associate	D12	Yes	Yes	Member
Resident Associate	D13	Yes	Yes	Member
Nat'l Gallery Empl	D06	Yes	Yes	Other
Twenty-seven Discount Codes Used in SE's FY 2023 but Not Included in SE's Discounts Procedure				
Empl Discount 30%	D32	No	Yes	Employee
Zoo Employee 20%	D79	No	Yes	Employee
AFA Members	D66	No	Yes	Member
Air & Space other	D90	No	Yes	Member
American Indian Assc	D91	No	Yes	Member
Associate/FONZ 100%	D71	No	Yes	Member
AZA Member 10%	D52	No	Yes	Member
Carousel Zoo VIP	D68	No	Yes	Member
Free Member Gift	D01	No	Yes	Member
Friends of Asian Art	D59	No	Yes	Member
Friends of Smitsonia	D86	No	Yes	Member
HIR Kusama 10%	D81	No	Yes	Member
HIR Membership 20%	D80	No	Yes	Member
Library Memb. 20%	D82	No	Yes	Member
Member Disc Other 10	D92	No	Yes	Member
Member Disc Other 20	D93	No	Yes	Member
NMAAHC Charter Mem10	D83	No	Yes	Member

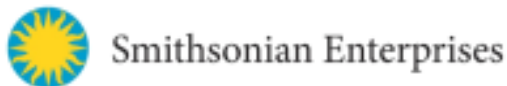
POS Discount Description	Code	Included in SE's Discounts Procedure?	Used in SE's FY 2023?	Discount Type
NMAAHC Dir Circle 20	D84	No	Yes	Member
Spirit of St. Louis	D89	No	Yes	Member
Wright Flyer	D87	No	Yes	Member
Zoo Corporate 100%	D73	No	Yes	Member
Zoo Member Discount	D30	No	Yes	Member
\$3 of \$30 Guidebook	D37	No	Yes	Other
Dollar Off	D04	No	Yes	Other
Panda Pack Promotion	D42	No	Yes	Other
Percent Off	D02	No	Yes	Other
Tran \$ Off Max 50%	D28	No	Yes	Other
Nine Discount Codes Not Used in SE's FY 2023 but Included in SE's Discounts Procedure				
Cooper-Hewitt	D16	Yes	No	Member
Friends of Afr Art	D21	Yes	No	Member
Friends of Music	D19	Yes	No	Member
J Smithson Society	D09	Yes	No	Member
National Postal	D22	Yes	No	Member
Nat'l Air & Space	D15	Yes	No	Member
NMAA Members	D07	Yes	No	Member
NMAA Members	D23	Yes	No	Member
SI Retirees	D11	Yes	No	Other
Fifty Discount Codes Not Used in SE's FY 2023 and Not Included in SE's Discounts Procedure				
Emp Disc 30% ****Old	D35	No	No	Employee
Emp Disc 50%	D36	No	No	Employee
Employee Return	D00	No	No	Employee
Zoo Employee 100%	D72	No	No	Employee
AFA Supporter/Family	D67	No	No	Member
Associate/FONZ 50%	D70	No	No	Member
Carousel Zoo Group	D65	No	No	Member
Double Membership	D51	No	No	Member
NMNH Membership	D38	No	No	Member
SI Archive of Am Art	D08	No	No	Member
Silk Road Society	D60	No	No	Member
\$10 Off	D78	No	No	Other
\$2 Off Membership	D58	No	No	Other
10% Coupon	D64	No	No	Other
10% Off \$50+ GOSMITH	D57	No	No	Other
20% Event Related	D69	No	No	Other
AARP Discount	D31	No	No	Other

POS Discount Description	Code	Included in SE's Discounts Procedure?	Used in SE's FY 2023?	Discount Type
Airport	D49	No	No	Other
Amtrak Employee	D62	No	No	Other
Buy One Get One	D88	No	No	Other
Catalog Discount 40%	D56	No	No	Other
Catalog Discount 50%	D53	No	No	Other
Catalog Discount 75%	D54	No	No	Other
Catalog Discount 90%	D55	No	No	Other
Clear Channel Coupon	D40	No	No	Other
Convention Ctr Coupn	D39	No	No	Other
Direct Mail Coupon	D41	No	No	Other
Friends & Family	D45	No	No	Other
Hazy Parking	D34	No	No	Other
Military	D48	No	No	Other
Mix and Match Promo	D63	No	No	Other
Mobile Text	D44	No	No	Other
Mount Vernon	D50	No	No	Other
NGA Associate	D18	No	No	Other
NY & CO Real Deal	D46	No	No	Other
Price Markdown	D03	No	No	Other
Promo	D33	No	No	Other
Promo	D99	No	No	Other
SI Coupon % Off	D29	No	No	Other
Special Sale 10%	D61	No	No	Other
Special Sale 20%	D24	No	No	Other
Special Sale 30%	D25	No	No	Other
Special Sale 50%	D26	No	No	Other
Student Travel	D43	No	No	Other
Teachers	D47	No	No	Other
Up To 30% Off Tran	D27	No	No	Other
Zoo Corporate 50%	D75	No	No	Other
Zoo Corporate Event	D76	No	No	Other
Zoo Military	D77	No	No	Other
Zoo Reimbursement	D74	No	No	Other

Source: SE POS

Appendix V

Management Comments



Memorandum

DATE: September 15, 2025

TO: Joan Mockridge, Assistant Inspector General for Audits, Inspections and Evaluations

FROM: Carol LeBlanc, President, Smithsonian Enterprises

CC: Meroë Park, Deputy Secretary and Chief Operating Officer
Ron Cortez, Under Secretary for Finance and Administration
Porter Wilkinson, Chief of Staff to the Regents
Greg Bettwy, Chief of Staff, Office of the Secretary
Craig Blackwell, Chief of Staff to the Deputy Secretary and Chief Operating Officer
Jennifer McIntyre, Chief Legal Officer, Office of the General Counsel
John Lynskey, Deputy Chief Financial Officer, Office of Finance and Administration
Rafael Cotto, Internal Control Analyst, Office of Finance and Administration
Catherine Chatfield, Program Manager, Enterprise Risk Management and Audit Liaison
Denise Elliott, Senior VP, Media Group and Acting CFO, Smithsonian Enterprises
Ray Moore, Senior VP, Retail, Smithsonian Enterprises
Suzanne Paletti, Controller, Smithsonian Enterprises
Frank DiGiovine, VP Finance, Retail, Smithsonian Enterprises

SUBJECT: Response to Audit of Cash Management Operations at Smithsonian Enterprises

Thank you for providing the Office of the Inspector General (OIG) formal draft for the Audit of the Smithsonian Enterprises' Cash Management Operations. The Smithsonian Enterprises' team has reviewed the formal draft and appreciates the thoroughness of the report and the recommendations therein.

Smithsonian Enterprises concurs with all four recommendations outlined in the formal draft and acknowledges the importance of updating existing procedures to eliminate identified vulnerabilities. Since receiving the discussion draft, Smithsonian Enterprises has taken proactive steps to identify and begin implementation of targeted actions to address each recommendation. Our response, which outlines completed actions, ongoing efforts, and target dates for full implementation, is provided below.

RECOMMENDATION 1:

Revise and implement SE's *Document Retention Policies for Smithsonian Enterprises Stores* to:

- a) require retail directors to periodically communicate the contents of this document to store management, and
- b) require retail directors to perform periodic checks and document their review to ensure that financial document retention complies with SE policy.

Concurrence/Non-concurrence: Concur

Actions Taken:

- Drafted an updated version of SE's *Document Retention Policies for Smithsonian Enterprises' Stores*, incorporating new sections on Roles & Responsibilities, updated procedures, relevant documents, and review/oversight while still complying fully with SI's overarching Document Retention Policy.
- The revised policy establishes clear accountability by requiring Retail Directors to:
 - Obtain annual written acceptance of the policy by store management,
 - Conduct and document annual reviews of store financial document retention practices, and
 - Submit the review for sign-off by the SVP of Retail to confirm compliance.

Actions Planned:

- Updated policy to be approved by the Senior Director of Internal Operations, SE Controller, Retail Store Directors, SVP of Finance and Administration, SVP of Retail, and SE President.
- Retail Directors, in coordination with the SVP of Retail, will distribute the updated policy to all store management, collect digital acknowledgements of review by store management, and ensure implementation.
- Retail Directors will conduct and document annual compliance reviews, with results reviewed and certified by the SVP of Retail.
- The SE Controller will review and update the policy every three years, or sooner if needed.

Target Completion Date: December 31, 2025

RECOMMENDATION 2:

Revise and implement the *Retail Green Bag Audit*, *Store Register Audit*, and *Retail Safe Fund* procedures to:

- a) assign specific positions with the responsibility to conduct audits and daily safe counts,
- b) require retail directors and group managers to document their review of monthly audits, and
- c) require retail directors to document their quarterly review of daily safe count sheets.

Concurrence/Non-concurrence: Concur

Actions Taken:

- Discussed the importance of the *Green Bag*, *Register Audit* and *Safe Fund* procedures with the Retail Directors and store management, and enforced procedures currently in place while the update is under review.

Actions Planned:

- SE Retail Directors, in partnership with SE Finance, the SE Controller and Senior Director of Internal Operations, will review and revise the *Retail Green Bag Audit*, *Store Register Audit*, and *Retail Safe Fund* procedures to clearly assign responsibility for daily safe counts and required audits to designated staff positions.
- Updated procedures to be approved by the Senior Director of Internal Operations, SE Controller, Retail Store Directors, SVP of Finance and Administration, SVP of Retail, and SE President, and will be distributed to all relevant staff, with training and implementation guidance.
- Require Retail Directors and Group Managers to review and formally document monthly audit results.
- Require Retail Directors to document quarterly reviews of daily safe count sheets.
- Incorporate a compliance tracking mechanism to ensure monthly and quarterly reviews are consistently completed and documented.
- The procedures will be reviewed and updated every three years, or sooner if needed.

Target Completion Date: March 31, 2026

RECOMMENDATION 3:

Update SE's *Separation/Termination Checklist* to include a step to block separated employees' POS system access on their last day of employment.

Concurrence/Non-concurrence: Concur

Actions Taken:

- Drafted a new procedure "*Separation Process – Retail Store Staff*" to document the separation process for SE Store employees that includes Roles & Responsibilities, procedures and compliance.
- Updated the *Separation/Termination Checklist* to include a step requiring the store supervisor to remove employee's access to the POS system on the last day of employment. Checklist is active.
- Established a process for HR to provide a bi-weekly report, generated by ADP (SE's payroll system), of separated employees to the SVP of Retail. Report is currently being provided to SVP Retail.
- Established a separate process for SE IT to provide a semi-annual report of all POS system users to the SVP of Retail and Retail Directors for review and verification.
- Updated Microsoft D365 to allow store managers to directly remove employees from the system.

Actions Planned:

- Updated procedure to be approved by the Senior Director of Internal Operations, Associate Director of Human Resources, SE Controller, Retail Store Directors, SVP of Finance and Administration, SVP of Retail, and SE President.
- Retail Directors, in coordination with the SVP of Retail, will distribute the updated procedure to all store management to ensure training and implementation.
- The procedure will be reviewed and updated every three years, or sooner if needed.

Target Completion Date: December 31, 2025

RECOMMENDATION 4:

Revise and implement the *Discounts* procedure to:

- a) reflect only valid discounts,
- b) require that the procedure be reviewed and updated periodically, and
- c) require that the discount codes programmed in the POS system be reviewed and updated periodically so only authorized and valid discount codes are applied to transactions.

Concurrence/Non-concurrence: Concur

Actions Taken:

- Reviewed all discounts in Microsoft D365 to confirm that only valid discounts are active.
- Drafted an updated *Discounts* procedure to:
 - Define roles and responsibilities,
 - Require use of Microsoft D365 as the system of record for discount activity, and
 - Implement a discount request form requiring SVP of Retail approval before SE IT enters new discount codes.
- Established a process for SE IT to generate a semi-annual report of active discount codes for review by Retail Directors and the SVP of Retail.

Actions Planned:

- Updated procedure to be approved by the Senior Director of Internal Operations, SE Controller, Retail Store Directors, SVP of Finance and Administration, SVP of Retail, and SE President.
- Retail Directors, in coordination with the SVP of Retail, will distribute the updated procedure, document receipt, and provide training to store management.
- The procedure will be reviewed and updated every three years, or sooner if needed.

Target Completion Date: December 31, 2025

We appreciate the opportunity to provide comments prior to the completion of the final report. Please contact me at leblancc@si.edu or Ray Moore at MooreR2@si.edu should you have additional questions.

Best regards,

DocuSigned by:

Carol LeBlanc

6F1A5933C83ED4F5...

Carol LeBlanc

President, Smithsonian Enterprises

OFFICE OF THE INSPECTOR GENERAL



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>.