



Smithsonian Institution
Office of the Inspector General

SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2014 – March 31, 2015



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

IG Act Reference	Reporting Requirement	Pages
Section 4(a)(2)	Review of legislation and regulations	13
Section 5(a)(1)	Significant problems, abuses and deficiencies	None
Section 5(a)(2)	Significant recommendations for corrective action	None
Section 5(a)(3)	Reports with corrective action not completed	8
Section 5(a)(4)	Matters referred to prosecutive authorities	12
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	4
Section 5(a)(7)	Summaries of significant reports	4
Section 5(a)(8)	Audit, inspection and evaluation reports—questioned costs	None
Section 5(a)(9)	Audit, inspection and evaluation reports—funds to be put to better use	7
Section 5(a)(10)	Prior audit, inspection and evaluation reports unresolved	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None
Section 5(a)(14-16)	Peer reviews conducted	None

Photo: Eric Long, Smithsonian. The Enid A. Haupt Garden and the Smithsonian Castle in Washington, D.C.

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Abbreviations	
CIO	Chief Information Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
FISMA	Federal Information Security Management Act
IT	Information Technology
NMNH	National Museum of Natural History
OIG	Office of the Inspector General
RCIS	Research and Collections Information System
SAO	Smithsonian Astrophysical Observatory

Message from the Inspector General

On behalf of the Smithsonian Institution's Office of the Inspector General, I am pleased to submit this semiannual report. This report highlights the audit and investigative activities of our office for the 6-month period ending March 31, 2015.

Throughout this semiannual period, our audit work addressed issues intended to improve the efficiency and effectiveness of Smithsonian Institution's programs and operations. We issued two reports: one that found effective controls for timely deobligation of no-year federal capital funds and one that determined that fiscal year 2014 travel reimbursements for members of the Board of Regents generally complied with applicable rules. We also completed substantial work on seven ongoing audits and closed 12 recommendations.

Our investigative activities continued to hold accountable those who sought to harm Smithsonian Institution's programs and operations and to prevent and deter fraud, waste, and abuse through an active outreach program. During the reporting period, we resolved 24 complaints. In one case, OIG agents recovered two stolen books that date back to the mid-1800s; one of the books was donated to the Museum of National History by the former Secretary Spencer Baird. In addition, we completed 2 investigations that resulted in two convictions regarding workers' compensation fraud, and we obtained almost \$7,000 in monetary restitutions.

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



Inspector General

Introduction

Smithsonian Institution

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

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

The Smithsonian’s Affiliations Program brings its collections, scholarship, and exhibitions to 45 states, Puerto Rico and Panama. In 2014, the Smithsonian’s websites reached over 99 million visitors, and the collection of digitized records available online reached 9 million.

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



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

Office of the Inspector General

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

Office of Audits

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

Office of Investigations

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

Office of Operations

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

Counsel

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

Audits

During this semiannual period, we issued two audit reports, completed substantial work on seven ongoing audits, and closed 12 recommendations. Our audit work focuses on areas to improve the efficiency and effectiveness of Smithsonian's programs and operations.

Summary of Audit Reports

Below are summaries of the reports issued this reporting period.

[Unliquidated Obligations \(A-14-03, January 9, 2015\)](#)

An unliquidated obligation is the amount of federal funds that has been designated for a specific purpose but has not been disbursed. If the funds are no longer required for the originally intended purpose (e.g., a capital construction project), they can be deobligated and used for other allowable purposes. We assessed the effectiveness of Smithsonian's controls for timely deobligation of unliquidated obligations associated with no-year federal capital funds.

As of May 16, 2014, we found that \$166,651 (0.1 percent) out of the \$142 million in obligated no-year federal funds still represented valid liabilities and would need to remain open. As a result, we determined that the Smithsonian had effective controls for identifying inactive capital contracts – defined as no payments for 18 months or longer – and deobligating funds.

[Travel Expenses of the Board of Regents for Fiscal Year 2014 \(A-15-02, March 26, 2015\)](#)

Under the statute that created the Smithsonian, each member of the Board of Regents may be reimbursed for necessary travel and other actual expenses to attend Board and other meetings. In 2007, the Executive Committee of the Board of Regents requested that the OIG conduct audits of the Regents' travel expenses. For fiscal year 2014, we reviewed \$43,097 in travel expenses for board members and determined that the reimbursed travel expenses generally complied with applicable rules.

Work in Progress

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

Pan-Institutional Initiatives Addressing Collections Care

Our objective is to evaluate the extent to which the Smithsonian has made progress in implementing two key initiatives to improve collections care: (1) collections space planning and (2) digitization of its collections.

Animal Care and Safety at the National Zoological Park

We are determining to what extent National Zoological Park management has addressed issues with animal care based on internal and external reviews conducted between December 2012 and December 2013.

Deferred Maintenance

We are determining to what extent the Smithsonian has (1) systematically identified and prioritized deferred maintenance and (2) developed strategies based on leading practices to reduce deferred maintenance backlogs.

Smithsonian's Controls over Purchase Orders

We are assessing the extent to which the Smithsonian's controls over purchase orders are effective in ensuring compliance with Smithsonian procurement policies and procedures, such as segregation of duties and sole-source purchases.

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

The Federal Information Security Management Act of 2002 (FISMA) directs OIGs to annually evaluate the information security programs of the entities they oversee. Although not required to comply, the Smithsonian follows FISMA requirements.

Smithsonian Enterprises Information Security Program

We are assessing the effectiveness of the Smithsonian Enterprises information security program and practices. Specifically, we are evaluating the effectiveness of the organization's implementation of (1) its security policies, standards, and guidelines; (2) the Payment Card Industry Data Security Standard; and (3) other best practices, such as those promulgated by the National Institute of Standards and Technology.

OIG Oversight of the Financial Statements Audits

The OIG serves as the contracting officer technical representative for the oversight of the Smithsonian's annual financial statements audits, which are performed in three parts by an independent public accounting firm. The firm completed the first two parts in this semiannual period: the Smithsonian's fiscal year 2014 federal closing package (federal appropriations reporting) and the entity-wide financial statements (combined federal and

trust funds reporting). Our oversight continues for the third part, the compliance audit for federal awards (Office of Management and Budget Circular A-133).

Other Audit Activities

Status of Recommendations

Smithsonian management made significant progress in implementing the recommendations from audit reports that we issued during this and prior semiannual reporting periods. As a result, we closed 12 recommendations during the past 6 months.

Table 2: Summary of Audit Recommendation Activity during the Semiannual Reporting Period Ending March 31, 2015

Status of Recommendations	Numbers
Open at the beginning of the period	32
Issued during the period	<u>0</u>
Subtotal	32
Closed during the period	<u>12</u>
Open at the end of the period	20

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

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

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

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

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

Report Title (Date)	Number of Recommendations	Summary of Recommendations	Target Completion Date
<i>Smithsonian Institution Information Security Program (3/15/2011)</i>	2	The Chief Information Officer (CIO) should (1) update Smithsonian Directive 920 and other related documents to provide clear criteria for designating systems for inclusion in the Smithsonian's FISMA inventory, and (2) implement controls to ensure that all Smithsonian owned laptops and mobile devices that may be used to store sensitive information are secured with an appropriate encryption technology.	9/30/2015
<i>Management Advisory Regarding Portable Computer Encryption (3/4/2013)</i>	2	The Under Secretary for Finance and Administration, in coordination with the other Under Secretaries, should direct Unit Information Technology staff to: (1) determine which laptop computers in their inventory may be used to store sensitive data and, with assistance from OCIO, configure those computers with whole drive encryption; and (2) identify all laptop computers that will not be configured with encryption.	6/30/2014
<i>FY 2012 Evaluation of the Smithsonian's Information Security Program (6/3/2013)</i>	3	The CIO should: (1) work with system managers to more quickly test security patches and remediate vulnerabilities identified in the OIG assessment; (2) monitor Smithsonian workstations for unapproved software and timely maintenance of approved software and enforce the policy to maintain products that are approved; and (3) ensure that the system managers provide monitoring and account management reports and evidence of audit log reviews to the security program.	12/31/2015
<i>Weaknesses in the Smithsonian Tropical Research Institute's Financial Management Require Prompt Attention (10/29/2013)</i>	1	The Director of Smithsonian Tropical Research Institute should assign responsibility to implement an automated method to accurately record the accounts receivable from the subsidiary ledger to the general ledger.	6/30/2015

Report Title (Date)	Number of Recommendations	Summary of Recommendations	Target Completion Date
<i>Management of the Government Purchase Card Program (3/31/2014)</i>	2	The Director of the Office of Contracting & Personal Property Management should (1) conduct periodic on-site reviews to ensure that approving officials review and sign cardholder transaction logs and credit card statements and, based on the results of these reviews, take appropriate corrective action; and (2) develop and implement a strategic sourcing program that encompasses all procurement methods.	9/30/2015
<i>FY 2013 Evaluation of the Smithsonian's Information Security Program (7/9/2014)</i>	9	<p>The Chief Information Officer should: (1) ensure that IT security staff enforce compliance with patching requirements and, when appropriate, document compliance waivers, (2) implement corrective action to restore SINet backup processes and capabilities, (3) periodically perform restoration tests using backup media, (4) in coordination with the Office of Protective Services and the Privacy Officer, provide guidance to employee sponsors of volunteers requiring them to update their volunteers' security awareness training annually, (5) improve the documentation of United States Government Configuration Baseline setting deviations to include consideration of risk and the reason for each deviation, and (6) develop, document, and implement policies and procedures for detecting and removing unauthorized connections.</p> <p>The National Museum of Natural History's Branch Chief for Informatics should: (7) ensure changes to the RCIS user accounts are appropriately documented in an Account Modification form and (8) ensure that RCIS accounts are reviewed and disabled when they are no longer necessary when employees transfer positions.</p> <p>(9) SAO's Computation Facility Department manager should enforce configuration management procedures for the Scientific Computing Infrastructure and High Energy Astrophysics systems to include tracking changes, approvals, testing, and implementation in accordance with Smithsonian policy.</p>	5/31/2015

Report Title (Date)	Number of Recommendations	Summary of Recommendations	Target Completion Date
<i>Management of Leased Office Space (7/24/2014)</i>	1	The Associate Director, Real Estate Division, should complete a cost-benefit analysis for use in the decision-making process and include this analysis in the Smithsonian's federal budget proposal.	9/30/2015

Peer Review

Government Auditing Standards require audit organizations to undergo external peer reviews by independent reviewers every three years. On August 13, 2014, the Railroad Retirement Board Office of Inspector General completed our most recent peer review. We received a peer review rating of pass, the highest rating. During this reporting period, our office did not conduct any peer reviews.

Investigations

At the start of the reporting period, we had 37 open complaints and 9 ongoing investigations. During the reporting period, we received 30 complaints, resolved 24 complaints, and completed 2 investigations. At the end of the reporting period, we had 43 open complaints and 11 ongoing investigations.

Highlights of Investigative Actions

Recovery of Stolen Items

We recovered two books belonging to the Birds Division Library of the National Museum of Natural History based on information from the Terrebonne Parish, Louisiana Sheriff's Department. While neither book was part of the library's collection, they are reference materials for researchers, and one book was donated by former Secretary Spencer Baird when the museum was newly created in the 1880s. Both books date back to the mid-1800s and were allegedly stolen from the museum in 1994 by a contracted painter who hid them in the attic of a relative's Baltimore home. Shortly thereafter, the painter moved out of state leaving the books in the attic, and his current location is unknown. OIG agents went to the Baltimore, Maryland residence, and the current resident, a relative of the contractor, voluntarily turned the books over to OIG agents; no charges are contemplated.

Workers' Compensation Fraud

We conducted a joint investigation with Department of Labor OIG of a former Smithsonian Employee who had been receiving benefits under the Office of Workers' Compensation Program since 2000 for injuries received at work. The former employee submitted fraudulent forms to the Department of Labor declaring no earned income from self-employment or involvement in any business enterprise. We determined that the former employee had been operating a business and the execution of search warrant substantiated the extent of that business. The former employee pled guilty to one count of submission of a false official writing, in violation of 18 U.S.C. § 1018, a Class A misdemeanor and was sentenced to 1 year of probation. The restitution amount is under appeal.

Workers' Compensation Fraud

We conducted a joint investigation with Department of Labor OIG of a former Smithsonian Employee who had been receiving benefits under the Office of Workers' Compensation Program since 1995 for injuries received at work. We determined that the former employee submitted to the Department of Labor numerous false medical travel refund requests for trips to and from various medical offices in the Washington, D.C. metropolitan area. However, the former employee was not receiving any medical treatment at those offices. The dollar value of the loss was under the threshold established by the U.S. Attorney, District of Maryland. We presented the case to the Maryland State's Attorney for Prince George's County. The former employee pled guilty to one count of theft from \$1,000 to under \$10,000 in the District Court of Maryland and was sentenced to 18 months of probation and \$3,352.98 restitution.

Fraud Awareness Program

We continue our efforts to reach out to Smithsonian staff and inform them about fraud awareness in Smithsonian programs and operations. During this reporting period, we made fraud awareness presentations to more than 250 new employees during their orientations.

Table 5 contains a statistical summary of our investigative results.

Table 5: Summary of Investigative Activities and Results

Investigations	Amount or Number
Caseload	
Cases pending at beginning of reporting period	9
Cases opened during the reporting period	<u>4</u>
<i>Subtotal</i>	13
Cases closed during the reporting period	<u>2</u>
Cases carried forward	11
Referrals for Prosecution	
Pending at the beginning of the period	3
Accepted during the period	<u>3</u>
Pending at the end of the period	4
Successful Prosecutions	
Convictions	2
Fines	\$1,500
Probation	30 months
Confinement	
Monetary Restitutions	\$6,996
Forfeiture of assets and seized evidence	
Administrative Actions	
Terminations	1
Resignations	1
Reprimands or admonishments	
Suspensions	
Monetary loss prevented	\$846,216
Items recovered	\$6,500

Other OIG Activities

Legislative and Regulatory Review

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

Other Activities

OIG staff remained actively involved with the Washington Metro Electronic Crimes Task Force, the Metropolitan Area Fraud Task Force, the Association of Certified Fraud Examiners, the Institute of Internal Auditors, the Security Association of Financial Institutions workgroup, the Counsel of Inspectors General on Integrity and Efficiency (CIGIE), the CIGIE CIO Working Group, the TeamMate Federal Users Group, and the Interagency Fraud Risk Data Mining Group.



Smithsonian Institution
Office of the Inspector General

HOTLINE

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

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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.