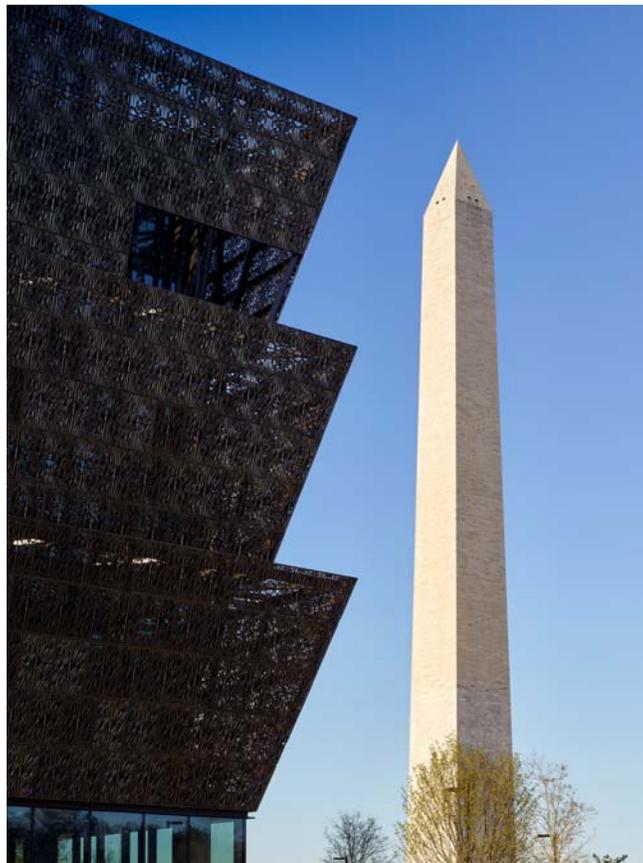




Smithsonian Institution  
Office of the Inspector General

# SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2016 – September 30, 2016



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

IG Act Reference	Reporting Requirement	Page
Section 4(a)(2)	Review of legislation and regulations	11
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	10
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	4-5
Section 5(a)(7)	Summaries of significant reports	4-5
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	None
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 the Office of Inspector General (OIG) disagreed	None
Section 5(a)(14-16)	Peer reviews	12

Cover photo: On September 24, 2016, the Smithsonian Institution opened its National Museum of African American History and Culture. Photo credit: Douglas Remley.

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Abbreviations	
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CLA	CliftonLarsonAllen LLP
CXC	Chandra X-ray Center
FISMA	Federal Information Security Modernization Act
KPMG	KPMG LLP
NASA	National Aeronautics and Space Administration
OIG	Office of the Inspector General
PIA	Privacy Impact Assessment
PII	Personally Identifiable Information
SAO	Smithsonian Astrophysical Observatory
Smithsonian	Smithsonian Institution



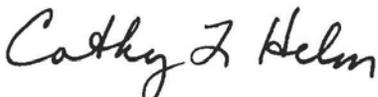
## Message from the Inspector General

On behalf of the Smithsonian Institution's (Smithsonian) Office of the Inspector General (OIG), 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 September 30, 2016.

Throughout this semiannual period, our audit work addressed issues intended to improve the efficiency and effectiveness of the Smithsonian's programs and operations. Our office issued 4 audit reports, conducted work on 6 ongoing audits, and closed 14 recommendations. We made 22 recommendations to improve the Smithsonian's programs for information security and acquisition management. In addition, we provided congressional committees with information on the Smithsonian's controls for providing access to its information systems and its data security management pursuant to the Cybersecurity Act of 2015.

Our investigative activities continued to hold accountable those who sought to harm the Smithsonian's programs and operations and to prevent and deter fraud, waste, and abuse through an active outreach program. During the reporting period, we resolved 27 complaints and completed 8 investigations. As a result of our investigative work, Smithsonian management terminated the employment of six employees, and another employee was served with a 14-day suspension.

In the months ahead, the office 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.



Cathy L. Helm  
Inspector General

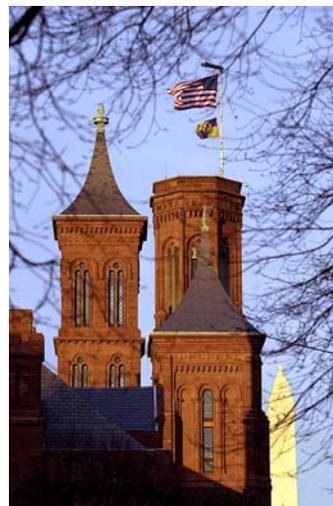
# Introduction

## The 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 includes 19 museums, the National Zoological Park, nine research centers, and numerous research programs. Research is carried out in the museums and other facilities throughout the world. In fiscal year 2016, the public made more than 29 million visits to the Smithsonian museums and zoo. In addition, more than 134 million people visited the Smithsonian’s public websites.

The Smithsonian is the steward of an extensive collection. The total number of artifacts, works of art, and specimens in the Smithsonian’s collections is estimated at 156 million, of which 145 million are scientific specimens at the National Museum of Natural History. The collections 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 more than 45 states, Puerto Rico, and Panama.



West-facing view of an early morning sunrise at the Smithsonian Institution Building ("The Castle").  
Photo: Eric Long, Smithsonian Institution.

The funding for a substantial portion of the Smithsonian’s operations is annual federal appropriations. The Smithsonian also receives federal appropriations for the construction or repair and restoration of its facilities. Construction of certain facilities has been funded entirely by federal appropriations, while others have been funded by a combination of federal and private funds.

In addition to federal appropriations, the Smithsonian receives private support and government grants and contracts and earns income from investments and its various business activities. Business activities include Smithsonian magazines; other publications; online catalogs; and theaters, shops, and food services located in its museums and centers.

## 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. The OIG's organizational structure is described below.

### Office of Audits

The Office of Audits conducts audits of the Smithsonian's programs and operations to improve their efficiency and effectiveness. The office is 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 OIG. 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, the OIG issued four audit reports, conducted work on six ongoing audits, closed 14 recommendations, and made 22 new recommendations. The OIG's audit work focuses on areas to improve the efficiency and effectiveness of the Smithsonian's programs and operations.

### Summary of Issued Audit Reports

Below are summaries of the four reports that OIG issued during this reporting period.

#### **Fiscal Year 2015 Independent Evaluation of the Smithsonian Institution's Information Security Program (OIG-A-16-11, Sept. 30, 2016)**

An independent public accounting firm, CliftonLarsonAllen LLP (CLA), under contract with the OIG, conducted an independent audit of the Smithsonian's information security program for the fiscal year ended September 30, 2015. The Federal Information Security Modernization Act (FISMA) directs the OIG to annually evaluate the information security program of the entity it oversees. The Smithsonian voluntarily complies with FISMA requirements. For fiscal year 2015, CLA audited the general support system, the Smithsonian Online Academic Appointment System, the Human Resources Management System, and the Smithsonian Institution Archives Collection Management System.

CLA found that the Smithsonian generally exercised effective management and oversight of the Smithsonian information security program. However, they found areas in the information security program that needed strengthening. The auditors identified weaknesses in the Smithsonian's (1) identity management and user access controls, (2) incident response program, (3) risk management program, (4) oversight of contractor systems, and (5) tracking of role-based security training.

CLA made 11 recommendations to address the control deficiencies noted above. Smithsonian management generally concurred with the recommendations and proposed corrective actions to address them.

#### **Acquisition Management: Oversight and Monitoring Would Improve Compliance with Policies for Sole-Source Purchases (OIG-A-16-10, Sept. 28, 2016)**

According to officials at the Smithsonian's Office of Contracting and Personal Property Management (Contracting Office), sole-source purchasing should be the exception, not the norm, for purchase orders that exceed \$10,000. Nevertheless, based on a sample of fiscal year 2014 purchase orders, the OIG estimated that half of those exceeding \$10,000 were sole-source awards. In addition, 38 percent of the sole-source purchase orders had missing or inadequate documentation or approvals to justify their award without competition.

As part of the Smithsonian's internal controls, the Contracting Office is required to conduct compliance reviews of units' purchase order processes every 3 to 5 years. The Smithsonian Astrophysical Observatory (SAO) also is required to conduct compliance reviews every 3 to 4 years. However, the OIG found that neither the Contracting Office nor

SAO had conducted compliance reviews since the requirement was established in 2011. The Contracting Office also did not ensure that sole-source purchase orders awarded to former employees or other related parties (e.g., advisory board members) received proper legal review and approval to avoid potential conflicts of interest. And the Contracting Office did not have effective procedures in place to ensure that contract specialists and unit procurement delegates involved with processing purchase orders in fiscal year 2014 met their training requirements.

Segregating – or separating – responsibilities related to the purchase order process reduces the risk of fraud. When duties cannot be fully segregated due to circumstances such as limited staff, unit management officials are required to obtain a waiver and implement alternative controls to ensure proper oversight of purchase order processing. The OIG did not find evidence of fraud but identified 11 individuals in seven Smithsonian units who performed all three purchasing roles. For 7 of the 11 individuals performing all three purchasing duties, unit management implemented the alternative controls documented in their approved waivers. However, for 3 of the 11 individuals, unit managers did not implement the alternative controls, and another individual did not have a waiver. The OIG also found that the Office of Finance and Accounting did not follow its procedures to ensure that individuals with segregation of duty waivers continued to need them or that alternative controls were in place.

The OIG made 11 recommendations to enhance monitoring and oversight for the purchase order process. Management agreed with all 11 recommendations.

#### **Travel Expenses of the Board of Regents for Fiscal Year 2015 (OIG-A-16-09, Aug. 2, 2016)**

According to law, the Executive Committee of the Smithsonian's Board of Regents is required to audit the Regents' travel expenses. In 2007, the Executive Committee requested that the OIG conduct annual audits of the Regents' travel expenses. Since then, the OIG has conducted these annual audits.

In fiscal year 2015, 4 of the 17 Regents requested reimbursement for 24 trips totaling \$27,198. The OIG determined that the travel expenses paid to the four Regents generally complied with the travel reimbursement policy.

#### **Independent Auditors' Report on the Fiscal Year 2015 Audits of Federal Awards Performed in Accordance with A-133 (OIG-A-16-08, June 21, 2016)**

An independent public accounting firm, KPMG LLP (KPMG) submitted the third and final report of the fiscal year 2015 financial audits of the Smithsonian. In this report on the audit of federal awards performed in accordance with the Office of Management and Budget Circular A-133, KPMG expressed the opinion that the Smithsonian complied, in all material respects, with the compliance requirements described therein that could have a direct and material effect on each of its major federal programs.

## Work in Progress

At the end of the period, the OIG had six audits in progress, as described below.

### Web Application Security

The OIG is assessing the extent to which the Smithsonian has processes in place for preventing, detecting, and resolving security vulnerabilities on its publicly accessible web applications. This audit is in support of a broader, government-wide assessment coordinated by the Council of Inspectors General on Integrity and Efficiency (CIGIE).

### Fiscal Year 2016 Review of the Smithsonian's Information Security Program

Williams, Adley & Company LLP, under contract with the OIG, is conducting an independent audit of the Smithsonian's information security program for the fiscal year ended September 30, 2016. The Federal Information Security Modernization Act (FISMA) directs the OIG to annually evaluate the information security program of the entity it oversees. Although the Smithsonian is not subject to FISMA because the Smithsonian is not an executive branch agency, the Smithsonian has adopted FISMA through its Technical Standards and Guidelines.

### Smithsonian Astrophysical Observatory's Grants Management

OIG auditors are assessing to what extent SAO (1) manages grants and contracts it receives in accordance with written policies and procedures and (2) has effective controls over administering grants for the Chandra X-ray Observatory that it awards under a National Aeronautics and Space Administration (NASA) contract.



SAO directs the science and flight operations of NASA's Chandra X-ray Observatory from the Chandra X-ray Center (CXC) in Cambridge, MA. Image credit: NASA/CXC/SAO

## Employee Background Investigations

OIG auditors are assessing the extent to which the Smithsonian has (1) ensured that new employees have effective pre-employment reviews, (2) conducted periodic background reviews for existing employees, and (3) appropriately adjudicated any risks identified in these reviews.

## Emergency Preparedness Program

OIG auditors are assessing to what extent the Smithsonian has effective emergency preparedness policies and procedures in place to protect life and property and to perform essential functions during circumstances that disrupt normal operations.

## Fiscal Year 2016 Financial Statements Audits

An independent public accounting firm, KPMG, conducts the Smithsonian's annual financial statement audits, which include the Smithsonian-wide financial statements, the federal special-purpose financial statements, and the compliance audit of federal awards. An OIG auditor serves as the contracting officer's technical representative for these audits.

## Other Audit Activities

### Status of Recommendations

As shown in Table 2, Smithsonian management made significant progress in implementing the recommendations from audit reports that the OIG issued in prior semiannual reporting periods. As a result, the OIG closed 14 recommendations during the past 6 months.

**Table 2: Summary of Audit Recommendation Activity during the Semiannual Reporting Period Ending September 30, 2016**

Status of recommendations	Numbers
Open at the beginning of the period	32
Issued during the period	<u>22</u>
<i>Subtotal</i>	<u>54</u>
Closed during the period	<u>14</u>
Open at the end of the period	40

Table 3 on the following page summarizes the open recommendations from prior semiannual periods and the target implementation dates.

**Table 3: Nineteen Recommendations Made in Previous Semiannual Reporting Periods for Which Corrective Actions Are Not Yet Complete**

Report title (Report number, date)	Summary of recommendations	Target completion date
<i>Fiscal Year (FY) 2012 Evaluation of the Smithsonian's Information Security Program</i> (A-12-08, 6/3/2013)	The Chief Information Officer should monitor Smithsonian workstations for unapproved software and timely maintenance of approved software and enforce the policy to maintain products that are approved.	11/30/2016
<i>Management of the Government Purchase Card Program</i> (A-13-04, 3/31/2014)	The Director of the Office of Contracting & Personal Property Management should develop and implement a strategic sourcing program that encompasses all procurement methods.	3/31/2017
<i>Fiscal Year (FY) 2014 Evaluation of the Smithsonian's Information Security Program</i> (OIG-A-16-02, 12/14/2015)	The Chief Information Officer should (1)strengthen the security assessment and authorization process to align with updated NIST requirements, (2)finalize the Smithsonian's continuous monitoring strategy, (3)implement additional controls to ensure that system sponsors consistently provide quarterly monitoring and reporting, (4)conduct baseline compliance assessments in accordance with Smithsonian policy, (5)update configuration management procedures to be consistent with the security controls manual, and (6)develop a list of software no longer supported by the manufacturer and a plan to upgrade or replace it.	12/31/2016
<i>Smithsonian Privacy Program and Practices</i> (OIG-A-16-04, 3/14/2016)	The Smithsonian Privacy Officer (1)should strengthen management of the Smithsonian's PII holdings by developing a formal process to periodically conduct and document a comprehensive inventory of PII used by the Smithsonian, (2)develop and implement a plan to reduce PII holdings where possible, (3)strengthen policies and procedures to identify systems requiring a PIA), (4)create a central repository for PIAs, (5)ensure a PIA is completed for all systems containing PII, (6)ensure that individuals required to take targeted role-based training complete that training, (7)periodically test compliance with requirements to safeguard PII in physical form, and (8)implement controls to ensure the Smithsonian's breach notification policy is updated as necessary. (9)The Chief Information Officer should implement a process to test compliance with requirements to safeguard passwords.	12/1/2017
<i>Smithsonian Enterprises Information Security Program</i> (OIG-A-16-05, 3/25/2016)	Smithsonian Enterprises should encrypt all mobile media, including laptops and backup tapes, to protect against unauthorized information disclosure in the event of loss or theft.	8/31/2017
<i>Smithsonian's Deferred Maintenance Program</i> (OIG-A-16-06, 3/30/2016)	The Under Secretary for Finance and Administration / Chief Financial Officer should develop criteria for identifying facilities as mission critical or mission supportive and then designate facilities as mission critical or mission supportive.	12/31/2016

# Investigations

At the start of the reporting period, we had 40 open complaints and 11 ongoing investigations. During the reporting period, we received 36 complaints, resolved 27 complaints, opened nine investigations, and completed eight investigations. At the end of the reporting period, we had 40 open complaints and 12 ongoing investigations.

## Highlights of Investigative Actions

### Code of Conduct, Contracting, Time and Attendance Violations

A senior manager violated the Smithsonian's Standards of Conduct, Code of Ethics, and contracting policies pertaining to conflicts-of-interest issues due to his personal involvement in the acquisition of a sole-source contract. Additionally, he violated the Smithsonian's Time and Attendance and Record-Keeping policy by recording duty hours that were not worked. The OIG reported these findings to management, and management declined to take action, citing the senior manager's intended retirement.

### Failure to Follow Professional Standards

An employee violated the Smithsonian's Standards of Conduct by not following generally accepted professional standards when he did not disclose, on three occasions, the source of funds for his research. In five other instances, the OIG was not able to definitively determine whether he should have made financial disclosures. As a result of the OIG's investigation, management issued a letter of counseling to the employee.

### Misuse of Smithsonian Property

Two employees used Smithsonian computers to access pornographic websites. As a result of the OIG's investigation, management terminated their employment.

### Unemployment Benefits Fraud

An employee fraudulently received \$4,100 in unemployment benefits by not reporting her Smithsonian employment and wages. During the course of the investigation, the employee was arrested and pled guilty to an unrelated criminal felony violation. Based on the employee's criminal conviction, management terminated her employment.

### False Information and Theft

An employee attempted to steal Smithsonian cleaning supplies. Furthermore, during the investigation, the OIG discovered that the employee had provided materially false information regarding criminal history in his federal employment application questionnaire. Management allowed the employee to retire in lieu of a proposed termination.

## Theft

After Smithsonian employees as part of their official duties received a lost wallet, the money contained in the wallet was stolen. Two Smithsonian employees were found to have violated the Smithsonian Lost and Found policies by not properly securing and inventorying the wallet. The OIG could not definitively determine which employee was responsible for the theft. As a result of the OIG's investigation, management issued a letter of reprimand to the supervisory employee responsible for properly securing the wallet.

## Threats

An employee used his Smithsonian-issued firearm in a threatening manner toward a Smithsonian contractor employee. As a result of the OIG's investigation, management suspended the employee without pay for 14 days.

## Fraud Awareness Program

OIG investigators continued efforts to reach out to Smithsonian staff and inform them about fraud awareness in Smithsonian programs and operations. During this reporting period, OIG investigators made fraud awareness presentations to more than 309 new employees during their orientations.

Table 4 below contains a statistical summary of the OIG's investigative results.

**Table 4: Summary of the OIG's Investigative Activities and Results**

Investigations	Amount or number
<b>Caseload</b>	
Cases pending at beginning of reporting period	11
Cases opened during the reporting period	<u>9</u>
<i>Subtotal</i>	20
Cases closed during the reporting period	<u>8</u>
Cases carried forward	12
<b>Referrals for prosecution</b>	
Pending at the beginning of the period	2
Accepted during the period	<u>0</u>
Pending at the end of the period	1
<b>Successful prosecutions</b>	
Convictions	0
Fines	0
Probation	0
Confinement	0
Monetary restitutions	0
Forfeiture of assets and seized evidence	0
<b>Administrative actions</b>	
Terminations	6
Resignations	0
Reprimands or admonishments	0
Suspensions	1

## Other OIG Activities

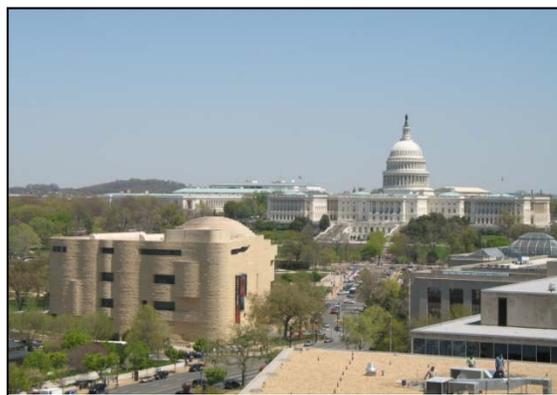
### Legislative and Regulatory Review

In accordance with the Inspector General Act, the OIG monitored and reviewed legislative and regulatory proposals for their impact on the Smithsonian's programs and operations. Additionally, 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. The OIG also reviewed draft Smithsonian directives that establish policies and procedures affecting the OIG and the Smithsonian's programs and operations.

### Congressional Relations

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

We responded to a request by the Chairman and the Ranking Minority Member of the House Committee on Oversight and Government Reform for information about our open and unimplemented recommendations. In addition, we provided congressional committees with information on the Smithsonian's controls for providing access to its information systems and its data security management pursuant to the Cybersecurity Act of 2015.



View of the United States Capitol and the National Museum of the American Indian. Image credit: William Hoyt

### Other Activities

The OIG remained actively involved with the Council of the Inspectors General on Integrity and Efficiency (CIGIE), a council of federal Inspectors General that promotes collaboration on integrity, economy, and efficiency issues that transcend individual agencies. The Inspector General, Assistant Inspectors General, or staff regularly participated in monthly and other CIGIE meetings. The OIG Counsel leads the Smaller OIG Counsel Working Group and serves on the steering committee for the OIG Freedom of Information Act Working Group. The OIG is also actively involved in a CIGIE project to assess web application security across the federal government.

In addition, OIG staff participated in 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 Federal Audit Advisory Committee for Enterprise Technology Solutions,

the Financial Statement Audit Network, and the Interagency Fraud Risk Data Mining Group.

## Peer Reviews

### Office of Audits

The *Generally Accepted Government Auditing Standards* require audit organizations to (1) establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements and (2) undergo external peer reviews by independent reviewers every 3 years. On August 13, 2014, the Railroad Retirement Board OIG completed the most recent peer review of the office, and the Smithsonian OIG received a peer review rating of “pass,” the highest rating. We will receive our next peer review in 2017.

### Office of Investigations

The Office of Investigations complies with the *Quality Standards for Investigations* and guidelines established by the U. S. Attorney General. On February 27, 2015, the Government Publishing Office OIG completed a peer review of the Smithsonian OIG investigative program based on the *Quality Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General*. The Smithsonian received a peer review rating of “compliant,” the highest rating.





Smithsonian Institution  
Office of the Inspector General

## **HOTLINE**

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Washington, D.C. 20013-7012

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.

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.

Information provided is confidential.