

## OFFICE OF THE INSPECTOR GENERAL

|                  | APPLICATION OF OPERATING RESOURCES |       |               |       |                          |       |                          |       |
|------------------|------------------------------------|-------|---------------|-------|--------------------------|-------|--------------------------|-------|
|                  | FEDERAL APPROPRIATIONS             |       | GENERAL TRUST |       | DONOR/SPONSOR DESIGNATED |       | GOV'T GRANTS & CONTRACTS |       |
|                  | FTE                                | \$000 | FTE           | \$000 | FTE                      | \$000 | FTE                      | \$000 |
| FY 2006 ACTUAL   | 13                                 | 1,772 | 1             | 136   | 0                        | 0     | 0                        | 0     |
| FY 2007 ESTIMATE | 15                                 | 1,826 | 1             | 147   | 0                        | 0     | 0                        | 0     |
| FY 2008 ESTIMATE | 16                                 | 1,977 | 1             | 147   | 0                        | 0     | 0                        | 0     |

### STRATEGIC GOAL: ENHANCED MANAGEMENT EXCELLENCE

#### Federal Resource Summary by Performance Objective and Program Category

| Performance Objective/<br>Program Category   | FY 2007   |              | FY 2008   |              | Change   |            |
|--|-----------|--------------|-----------|--------------|----------|------------|
|  | FTE       | \$000        | FTE       | \$000        | FTE      | \$000      |
| <b>Enhanced Management Excellence</b>  |           |              |           |              |          |            |
| <b><i>Management Operations</i></b>  |           |              |           |              |          |            |
| Strengthen an institutional culture that is customer centered and results oriented | 15        | 1,826        | 16        | 1,977        | 1        | 151        |
| <b>Total</b>   | <b>15</b> | <b>1,826</b> | <b>16</b> | <b>1,977</b> | <b>1</b> | <b>151</b> |

### BACKGROUND AND CONTEXT

The Inspector General Act Amendments of 1988 established the Office of the Inspector General (OIG) at the Smithsonian Institution to provide an independent and objective office to:

- conduct and supervise independent and objective audits and investigations relating to agency programs and operations;
- promote economy, efficiency, and effectiveness within the Institution;
- prevent and detect fraud, waste, and abuse in the Institution's programs and operations;
- review and make recommendations regarding existing and proposed legislation and regulations relating to the Institution's programs and operations; and
- keep the Board of Regents, the Secretary, and the Congress fully and currently informed of problems in agency programs and operations

In keeping with its mission, the OIG is responsible for providing oversight of the external auditors who conduct the annual review of the Institution's financial statement. In addition, under the Federal Information Security Management Act (FISMA), the OIG hires contractors to conduct an annual evaluation of the Institution's information security program and practices, and reports on their effectiveness.

The oversight responsibilities of the OIG have continued to expand because of FISMA, strict requirements governing personally identifiable information, the annual financial statement audit, and requests from Congress. At the same time, the programs and operations of the Smithsonian Institution continue to expand. Although the scope of the OIG's responsibilities has increased, its budget and staffing have remained essentially static in recent years and have significantly declined during the last 12 years.

Nevertheless, in FY 2005, the OIG identified more than \$1.3 million of funds that could be put to better use; concluded investigations resulting in two successful criminal prosecutions and monetary restitution to the Institution; prevented additional losses; recovered collections items; issued 61 recommendations to improve the economy, efficiency, and effectiveness of Institution programs; and conducted outreach presentations, among many other accomplishments, both tangible and intangible, for the benefit of the Institution.

In FY 2005, the OIG staff consisted of 15 trust and federally funded positions, down from a peak of 24 in 1994 (not inconsistent with shrinkage in other core programs). Since 1994, both the budget and operations of the Smithsonian Institution have expanded dramatically. The proposed increase of one position is insufficient, but it will begin to restore resources that are critical for the OIG to accomplish its mission.

For FY 2008, the estimate includes an increase of \$51,000 for necessary pay for existing staff funded under this line item, and a program increase of 1 FTE and \$100,000 for staff engaged in audits, investigations, and other activities necessary to accomplish the OIG's mission.

## **MEANS AND STRATEGY**

To balance its oversight responsibilities with available resources, the OIG will continue to select areas for evaluation that:

- are the focus of congressional and executive branch attention;
- have high public interest and/or large dollar outlays;
- figure prominently in the Smithsonian's strategic plans and annual performance plans and reports; or
- have known performance and accountability or high-risk issues

The OIG's tentative audit inventory for FY 2008 includes: the modernization of the information technology (IT) infrastructure and development of IT investment strategies; the contracting practices of Smithsonian Business Ventures (SBV); the management of exhibitions; collections information systems; the effectiveness of the Institution's processes for identifying, measuring, and managing risk; accountability and maintenance of the Institution's vehicle fleet; and the status of human capital and workforce restructuring efforts. In addition, the OIG will provide oversight of the FY 2008 financial statement audit; conduct or oversee contractors to conduct the annual FISMA review; and assist the Treasury Department and the Government Accountability Office in preparing Government-wide financial statements by performing agreed-upon procedures to explain material differences in intra-Governmental activity balances and related internal control deficiencies.

The investigative staff will continue to conduct investigations and criminal prosecutions, resolve complaints, and proactively engage the Institution's staff to detect and prevent waste, fraud, and abuse.

The OIG will continue to focus on high-risk, high-dollar areas, and to respond to requests for audits and reviews from the Board of Regents, the Secretary, and the Congress. In addition, the OIG will continue to maintain a substantial inventory of areas identified as needing audit work.

## **STRATEGIC GOALS AND FY 2008 ANNUAL PERFORMANCE GOALS**

### **Enhanced Management Excellence**

#### ***Strengthen an institutional culture that is customer centered and results oriented (16 FTEs and \$1,977,000)***

- Assess the Institution's IT investment strategies and determine whether (1) the Chief Information Officer has implemented sound strategies and practices for managing IT resources and meeting program area information needs, and (2) the IT infrastructure is being sufficiently modernized to support the activities of the Institution
- Determine whether SBV's contracting policies and procedures are in line with industry best practices, and whether SBV contracts are sufficiently competed to maximize revenues
- Examine a sample of the most expensive exhibits to determine if museum management adequately tracks exhibition-related expenses and financing, reasonably estimates the life-cycle costs of exhibitions, and identifies risks and sources of contingent funds when budgets are not met
- Determine whether opportunities exist to increase public access to collections information and enhance the state of collections

information management, while at the same time reducing infrastructure and maintenance costs

- Evaluate the Institution's metrics process for measuring and tracking risk. Review management's effectiveness in (1) identifying and measuring risks and vulnerabilities, (2) evaluating and monitoring corrective action plans, and (3) providing alternatives and resources to eliminate the vulnerabilities and minimize the risks
- Assess the effectiveness of the Institution's vehicle fleet management
- Examine the Institution's progress in implementing human capital initiatives targeted for FYs 2005 and 2006 that were recommended by the Human Resources Research Organization
- Ensure that the Institution complies with FISMA requirements
- Provide oversight for the external auditors' annual financial statement audit

### **FY 2008 REQUEST — EXPLANATION OF CHANGE**

For FY 2008, the budget request includes an increase of 1 FTE and \$151,000. This amount includes an increase of \$51,000 for necessary pay for existing staff funded under this line item, and 1 FTE and \$100,000 to fund one IT auditor. This program increase is described in greater detail below:

- (+ \$100,000, + 1 FTE) Hire an IT auditor to perform internal and external vulnerability assessments and penetration testing, and to conduct reviews of the Institution's information systems, ensuring that they comply with the standards set by the National Institute of Standards and Technology.

If the FY 2008 request is not allowed, the OIG will be hampered in its ability to serve as the statutorily mandated, independent, and objective Office that helps ensure the integrity, efficiency, and effectiveness of the Institution's programs and operations. The OIG will be hampered in its effort to review financial system upgrades and controls and prevent the inventory of high-risk areas requiring audit work from continuing to expand.

**NONAPPROPRIATED RESOURCES**—General trust funds provide support for salaries and benefits of personnel and other related costs.