

GAO

Testimony

Before the Subcommittee on Interior,  
Environment, and Related Agencies,  
Committee on Appropriations, House of  
Representatives

---

For Release on Delivery  
Expected at 10:00 a.m. EST  
December 10, 2009

SMITHSONIAN  
INSTITUTION

Governance and Facilities  
Reforms Progressing, but  
Work Remains

Statement of Mark L. Goldstein, Director  
Physical Infrastructure Issues





Highlights of [GAO-10-297T](#), a testimony before the Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

The Smithsonian Institution (Smithsonian) is the world's largest museum complex. Its funding comes from its own private trust fund assets and federal appropriations. The Smithsonian Board of Regents, the Smithsonian's governing body, is responsible for the long-term stewardship of the Smithsonian. In recent years, GAO and others have documented (1) significant governance and accountability breakdowns at the Smithsonian, which could ultimately put funding and the organization's credibility at risk, and (2) the deterioration of the Smithsonian's facilities and the threat this deterioration poses to the Smithsonian's collections.

This testimony discusses (1) the Smithsonian's status in implementing governance reforms recommended by its Governance Committee and by GAO in a 2008 report ([GAO-08-632](#))—as discussed in a GAO report being released today ([GAO-10-190R](#))—and (2) the Smithsonian's progress in implementing facilities and funding recommendations GAO made in a 2007 report ([GAO-07-1127](#)). The work for this testimony is based on [GAO-10-190R](#) and an analysis of documentary and testimonial evidence from Smithsonian officials.

GAO is not making recommendations in this testimony and did not make new recommendations in [GAO-10-190R](#). The Smithsonian and the Board of Regents concurred with the findings of [GAO-10-190R](#).

View [GAO-10-297T](#) or key components. For more information, contact Mark L. Goldstein, (202) 512-2834, or [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov).

## SMITHSONIAN INSTITUTION

### Governance and Facilities Reforms Progressing, but Work Remains

#### What GAO Found

Since May 2008 the Smithsonian has implemented 9 reforms recommended by the Board of Regents Governance Committee—in addition to the 30 it had implemented prior to May 2008—and 1 of 4 GAO recommendations, but work remains on 3 reforms and 3 recommendations. The 9 Governance Committee reforms implemented since May 2008 include efforts such as revising policies related to travel and expense reimbursement and event expenses, creating a regents' annual public forum, completing a review and revision of Board of Regents committees' charters, and developing an assessment process for the Board of Regents. The Smithsonian has not completed implementation of 3 Governance Committee reforms related to the Smithsonian's contracting policy, a comprehensive review of financial reporting and internal controls, and enhancing the role of advisory boards.

Regarding GAO's May 2008 recommendations, the Smithsonian implemented GAO's recommendation to evaluate what actions it can take in the event of persistent neglect of duties by a regent, but has not completed implementation of the following three recommendations:

- The Board of Regents has not fully implemented GAO's recommendation to develop and make public its process for the selection, use, and evaluation of nonregents. The Board of Regents posted on its Web site the process for selecting nonregent committee members but did not make a final decision regarding a proposed bylaw to give nonregent members of committees the same roles and responsibilities as regents.
- The Board of Regents took steps to improve its relationship with stakeholders, including advisory boards. However, because of limitations of the efforts thus far—such as the informal nature of the Board of Regents' efforts and their focus on the dissemination of information from the regents rather than two-way communication—several advisory board chairs with whom GAO spoke expressed concern that the Board of Regents still lacked a sufficient understanding of Smithsonian museums and other entities to govern as effectively as possible.
- The Board of Regents has not yet conducted a comprehensive evaluation of its reforms but plans to do so in fiscal year 2010.

The Smithsonian has implemented four of GAO's five 2007 recommendations related to facilities and funding. These include recommendations related to improving the Smithsonian's security communications and the comprehensiveness of its capital plan. Furthermore, the Smithsonian has implemented GAO's recommendation to more comprehensively analyze nonfederal funding options to meet the needs of its facilities projects. The Smithsonian is planning to launch a national fund-raising campaign to raise private sector funds for its programs and facilities. It is unclear how much in funds will be raised or dedicated to facilities through such a campaign. The Smithsonian has not implemented GAO's recommendation to submit a report to Congress and the Office of Management and Budget on its funding strategy, but it plans to do so as part of its national fund-raising campaign.

---

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to testify before you today on efforts by the Smithsonian Institution (Smithsonian) to address challenges related to governance and facilities. The Smithsonian has been referred to as America's museum, as its museums hold and provide access to irreplaceable national collections in American and natural history, art, and other areas. The Smithsonian has evolved into the world's largest museum complex and research organization; two of its museums on the National Mall in Washington, D.C., are among the most highly visited in the world. The Smithsonian's governing body, the Board of Regents, is responsible for the long-term stewardship of the Smithsonian's mission. In recent years, we and others have documented significant governance and accountability breakdowns at the Smithsonian, which could result in a lack of trust from donors, grantors, and appropriators and ultimately put funding and the organization's credibility at risk. We and others have also documented the deterioration of the Smithsonian's facilities and the threat this deterioration poses to the Smithsonian's collections. For example, in April 2005, we reported that the failing condition and closure of the Smithsonian's 1881 Arts and Industries building on the National Mall was the most significant example of a broad decline in the condition of the Smithsonian's facilities portfolio.<sup>1</sup>

In 2007, following a report from the Smithsonian's Inspector General to the Board of Regents on the then-Secretary's compensation package and expenses, and related inquiries, the then-Secretary resigned. Two subsequent studies were published in June 2007, one by the Board of Regents Governance Committee and the other by an Independent Review Committee (IRC), created at the Board of Regents' request, that identified numerous governance and accountability breakdowns. Both studies recommended changes to address these breakdowns. The Board of Regents adopted all 25 of the Governance Committee's recommendations and stated that the IRC's recommendations were, for the most part, encompassed by the Governance Committee's recommendations. In 2008, in assessing the Smithsonian's implementation of these 25 recommendations, we determined that some of these recommendations had multiple parts. In order to assess the Smithsonian's efforts to implement these recommendations, we analyzed each reform contained in

---

<sup>1</sup>GAO, *Smithsonian Institution: Facilities Management Reorganization Is Progressing, but Funding Remains a Challenge*, [GAO-05-369](#) (Washington, D.C.: Apr. 25, 2005).

---

the recommendations separately; therefore, we assessed the Smithsonian's efforts related to 42 reforms in the following areas:

- executive and ethics reforms
- executive travel policies
- policies on broader Smithsonian operations
- access of senior officials to the Board of Regents and level of information available to the Board of Regents
- transparency of Board of Regents' and the Smithsonian's activities
- communication and stakeholder relationships
- regents' roles and responsibilities
- the Board of Regents' structure and composition
- assessment of the Board of Regents

In our previous report, we found that the Board of Regents had implemented 30 of the 42 reforms to address these areas of concern, and that it had not completed its implementation of 12 of the recommended reforms. In that report, we also made four recommendations to strengthen the Board of Regents' governance reform efforts.<sup>2</sup>

Moreover, in an earlier report, in September 2007, we had found that while the Smithsonian had made some improvements to its real property management, the continued deterioration of many facilities had caused problems, the Smithsonian's cost estimate for facilities projects had increased to \$2.5 billion through fiscal year 2013, and the Smithsonian's security and real property portfolio management efforts faced challenges.<sup>3</sup> In September 2007, we concluded that if the Smithsonian did not develop a viable strategy to address its estimated \$2.5 billion in facilities projects, its

---

<sup>2</sup>GAO, *Smithsonian Institution: Board of Regents Has Implemented Many Governance Reforms, but Ensuring Accountability and Oversight Will Require Ongoing Action*, [GAO-08-632](#) (Washington, D.C.: May 15, 2008).

<sup>3</sup>GAO, *Smithsonian Institution: Funding Challenges Affect Facilities' Conditions and Security, Endangering Collections*, [GAO-07-1127](#) (Washington, D.C.: Sept. 28, 2007).

---

facilities and collections would face increased risk, and the ability of the Smithsonian to meet its mission would likely decline. We therefore recommended, among other things, that the Smithsonian analyze funding strategies and report to Congress.

In my statement today, I will discuss (1) the findings of a report we are releasing today—*Smithsonian Institution: Implementation of Governance Reforms Is Progressing, but Work Remains*<sup>4</sup>—regarding the Smithsonian’s efforts to implement governance reforms recommended by the Board of Regents Governance Committee and by GAO in 2008,<sup>5</sup> and (2) provide a brief update on the Smithsonian’s efforts to implement our 2007 facilities and funding recommendations.

Information regarding the Smithsonian’s governance changes is based on the work we did for the report being released today, which was in response to a congressional mandate.<sup>6</sup> In that report, we assessed the extent to which the Smithsonian has implemented governance reforms recommended by its Governance Committee and GAO, but we did not evaluate the effectiveness of these reforms in improving Smithsonian governance. Both the Smithsonian and the Board of Regents concurred with the findings of that report. Information regarding the Smithsonian’s efforts to implement our 2007 facilities and funding recommendations is based on our September 2007 report on the Smithsonian’s facilities<sup>7</sup> and our review of updated information provided in Smithsonian documents—including Office of Protection Services documents, the Smithsonian’s draft facilities capital program (fiscal years 2010-2014), and minutes from the Board of Regents’ November 2007 meeting—and through interviews with Smithsonian officials. We conducted our work for this report in November and December 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We

---

<sup>4</sup>GAO, *Smithsonian Institution: Implementation of Governance Reforms Is Progressing, but Work Remains*, [GAO-10-190R](#) (Washington, D.C.: Dec. 10, 2009).

<sup>5</sup>[GAO-08-632](#).

<sup>6</sup>Explanatory Statement in the 2009 Committee Print of the House Committee on Appropriations on H.R. 1105, at 1156-1157 accompanying the Omnibus Appropriations Act for FY 2009, Pub. L. No. 111-8, Div. E, Title III, 123 Stat. 524, 740-741 (2009).

<sup>7</sup>[GAO-07-1127](#).

---

believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

---

## Background

Congress established the Smithsonian in 1846 to administer a large bequest left to the United States by James Smithson, an English scientist, for the purpose of establishing, in Washington, D.C., an institution “for the increase and diffusion of knowledge among men.”<sup>8</sup> In accepting Smithson’s bequest on behalf of the nation, Congress pledged the “faith of the United States” to carry out the purpose of the trust.<sup>9</sup> To that end, the act establishing the Smithsonian provided for the administration of the trust, independent of the government itself, by a Board of Regents and a Secretary, who were given broad discretion in the use of the trust funds. The Board of Regents currently consists of nine private citizens as well as members of all three branches of the federal government, including the Chief Justice of the United States, the Vice President, and six congressional members, three from the Senate and three from the House of Representatives.<sup>10</sup>

Over the last 160 years, the Smithsonian’s facilities inventory has expanded to include 19 museums and galleries, nine research centers, a zoo, and other facilities—most located in or near Washington, D.C. The major buildings owned by the Smithsonian range in age from about 170 years old to about 5 years old, with most of the facilities’ growth occurring since the 1960s. The Smithsonian’s growth will continue with the construction of an aircraft restoration area—phase II of the National Air and Space Museum’s Steven F. Udvar-Hazy Center<sup>11</sup>—and the design and construction of a National Museum of African American History and

---

<sup>8</sup>The Act of August 10, 1846, as amended, is codified at 20 U.S.C. §§ 41-67.

<sup>9</sup>A trust is a fiduciary relationship involving a right of property held by the trustee for the benefit of another.

<sup>10</sup>The three senators are appointed by the President of the Senate, the three representatives are appointed by the Speaker of the House, and nine citizens are appointed by joint resolution of Congress—two from the District of Columbia and seven from the states.

<sup>11</sup>The National Air and Space Museum Steven F. Udvar-Hazy Center near Washington Dulles International Airport is the companion facility to the National Air and Space Museum on the Mall and is being built in two phases. Phase I opened in December 2003 and provides enough space for the Smithsonian to display thousands of aviation and space artifacts. Phase II will include a restoration hangar, archives, collections processing unit, conservation laboratory, and a collections storage facility.

---

Culture, authorized by Congress in 2003.<sup>12</sup> Beyond this, in May 2008, Congress established a commission to study the potential creation of a National Museum of the American Latino and whether the museum should be located within the Smithsonian.<sup>13</sup>

In addition to its stewardship duties, the Board of Regents is vested with governing authorities over the Smithsonian.<sup>14</sup> It considers matters such as the Smithsonian's budgets and planning documents, new programs and construction proposals, appointments to Smithsonian advisory boards, and a variety of other issues facing the Smithsonian.

Although the Smithsonian is a trust instrumentality of the United States with a private endowment,<sup>15</sup> about two-thirds of its operating revenues in fiscal year 2008 came from federal appropriations. In fiscal year 2008, the Smithsonian's operating revenues equaled about \$1 billion, while its federal appropriations equaled about \$678.4 million—\$107.1 million for facilities capital, which provides funds for construction and revitalization projects, and \$571.3 million for salaries and expenses, which includes funding for the program activities of each museum and research center, rents, utilities, and facilities' operations, maintenance, and security costs.<sup>16</sup> The Smithsonian's fiscal year 2008 appropriation was subject to an across-the-board rescission of 1.56 percent, which according to the Smithsonian resulted in an appropriation of \$105.4 million for facilities capital and \$562.4 million for salaries and expenses. The remaining operating revenues came from the Smithsonian's private trust funds. For fiscal year 2008, the Smithsonian was also appropriated an additional \$15 million for facilities capital (reduced to \$14.8 million by the rescission), referred to as the Legacy Fund, to be provided if the Smithsonian received matching private donations of at least \$30 million; however, according to a Smithsonian official, the Smithsonian did not meet the matching donations

---

<sup>12</sup>20 U.S.C. §§ 80r through 80r-9.

<sup>13</sup>Pub L. No 110-229, Title III, § 333, 122 Stat. 754, 784-787 (2008).

<sup>14</sup>For example, 20 U.S.C. §42 establishes the Board of Regents' responsibility to conduct the business of the Smithsonian, and 20 U.S.C. § 50 provides for the Board of Regents to accept specimens and objects of art and for these items to be appropriately classed and arranged.

<sup>15</sup>GAO recently issued a report on federally created entities such as the Smithsonian. See GAO, *Federally Created Entities: An Overview of Key Attributes*, [GAO-10-97](#) (Washington, D.C.: Oct. 29, 2009).

<sup>16</sup>Pub. L. No. 110-161, Div. F, Title III, 121 Stat. 1844, 2140 (2007).

---

requirement and therefore has not received these funds.<sup>17</sup> In fiscal year 2009, the Smithsonian was appropriated \$123 million for facilities capital and \$593.4 million for salaries and expenses. The Smithsonian was also appropriated an additional \$15 million for the Legacy Fund, with the same requirements as for fiscal year 2008, except that funds were made available for individual projects in incremental amounts as matching funds were raised.<sup>18</sup> The Smithsonian was also appropriated an additional \$25 million for facilities capital under the American Recovery and Reinvestment Act of 2009.<sup>19</sup>

In fiscal year 2010, the Smithsonian was appropriated \$125 million for facilities capital and \$636.16 million for salaries and expenses.<sup>20</sup> Of the \$30 million appropriated for the Legacy Fund in fiscal years 2008 and 2009, the approximately \$29.8 million unobligated balance was rescinded, and \$29.8 million was appropriated under a new requirement—the Legacy Fund is now directed to the Arts and Industries Building for the purpose of facilitating the reopening of this building. The Appropriations Act makes funds available in incremental amounts as private funding becomes available. Private donations, including major in-kind donations, that contribute significantly to the building's reopening will be matched dollar for dollar.

---

<sup>17</sup>The fiscal year 2008 Appropriations Act establishing the Legacy Fund required that both private donations and federal matching funds be used for the restoration, renovation, and rehabilitation of existing facilities. Funds could not be used for day-to-day maintenance, salaries and expenses, or programmatic purposes, and in-kind donations did not count toward the match. See Pub. L. No. 110-161, 121 Stat. 1844, 2140 (2007).

<sup>18</sup>Pub. L. No. 111-8, Div. E, Title III, 123 Stat. 524, 740-741 (2009). Smithsonian's fiscal year 2009 appropriation is not subject to a rescission.

<sup>19</sup>Pub. L. No. 111-5, Title VII, 123 Stat. 115, 171 (2009).

<sup>20</sup>Pub. L. No. 111-88, Title III, 123 Stat. 2904, 2951-2952 (2009).



---

## Smithsonian Implemented Most Governance Committee Reforms and One of Four GAO Governance Recommendations, but Work Remains on Others

---

### The Smithsonian Has Implemented 39 of 42 Governance Committee Reforms, while Work Remains on 3 Reforms

The Smithsonian has implemented 9 reforms recommended by the Board of Regents' Governance Committee since May 2008—in addition to the 30 reforms it had implemented as of May 2008—bringing the total number of reforms implemented to 39 of 42 reforms.<sup>21</sup> The Smithsonian has not completed implementation of 3 reforms—2 related to improving policies on broader Smithsonian operations (to develop a contracting policy and conduct a comprehensive review of financial reporting and internal controls) and one related to communication and stakeholder relationships (to enhance the role of the Smithsonian advisory boards). Figure 1 summarizes the status of the Smithsonian's implementation of the Governance Committee's recommended reforms as of May 2008 and December 1, 2009.

---

<sup>21</sup>For more information on the reforms implemented as of May 2008, see [GAO-08-632](#).

**Figure 1: Status of the Smithsonian's Implementation of Governance Committee Reforms as of May 2008 and December 1, 2009**

Governance committee reform	GAO assessment of implementation	
	May 2008	December 1, 2009
<b>Executive and ethics reforms</b>		
Refine the executive compensation process to follow best practices	●	
Follow process to recommend range for Secretary's compensation package	●	
Develop unified compensation policy	●	
Create leave accrual system for senior trust employees	●	
Develop overarching Smithsonian code of ethics	●	
Establish ethics hotline	●	
Develop policy prohibiting senior staff service on for-profit boards	●	
Develop database to identify potential conflicts of interest	○	●
<b>Executive travel policies</b>		
Adopt interim policies on travel and event expenses	●	
<b>Policies on broader Smithsonian operations</b>		
Require Smithsonian Business Ventures to follow Smithsonian policies	◐	●
Develop expense policies for regent events	◐	●
Review internal controls of travel and expense reimbursement	◐	●
Develop contracting policy	◐	◐
Conduct comprehensive review of financial reporting and internal controls	◐	◐
<b>Access of senior officials to the Board of Regents and level of information available to the board</b>		
General Counsel to have direct access to board	●	
Board review sufficiency of General Counsel resources	●	
Chief Financial Officer to have direct access to board	●	
Board review sufficiency of Chief Financial Officer resources	●	
Inspector General to have direct access to board	●	
Board review sufficiency of Inspector General resources	●	
Inspector General to relocate to downtown Washington	●	
Establish independent regent staff	●	

- Reform has been implemented
- ◐ Steps have been taken to implement the reform, but more work is needed
- Reform has not been implemented

Governance committee reform	GAO assessment of implementation	
	May 2008	December 1, 2009
<b>Transparency</b>		
Schedule at least four business meetings annually	●	
Revise how minutes are taken	●	
Secretary to delegate corporate secretarial duties to General Counsel	●	
Develop Freedom of Information Act policy	●	
Launch regents public Web page	●	
<b>Communication and stakeholder relationships</b>		
Enhance role of advisory boards	○	◐
Develop strategy to increase public and stakeholder access to Smithsonian information	●	
Create Regent Annual Public Forum	◐	●
<b>Roles and responsibilities</b>		
Adopt description of duties and responsibilities of all regents	●	
Adopt duties and responsibilities of Chair and Chancellor	●	
Provide for election of new Chair	●	
Develop board orientation process	◐	●
Develop opportunities to provide strategic direction in development of budget priorities	●	
<b>Structure and composition</b>		
Each committee to review and revise charters	◐	●
New leadership appointed for each committee	●	
Create standing committee on Facilities Revitalization	●	
Review existing appointment procedures to existing committees	◐	●
Create criteria for new citizen regents	●	
Examine board structure	●	
<b>Assessment</b>		
Develop regents' assessment process	◐	●

- Reform has been implemented
- ◐ Steps have been taken to implement the reform, but more work is needed
- Reform has not been implemented

Source: GAO presentation and analysis of Smithsonian data.

---

As shown in Figure 1, the Smithsonian has implemented 9 Governance Committee reforms since May 2008, including the following: The Smithsonian (1) developed a database to identify potential conflicts of interest; (2) implemented a policy requiring the former Smithsonian Business Ventures (SBV)—now reorganized and renamed Smithsonian Enterprises—to follow Smithsonian policies except in the case of a few documented exceptions;<sup>22</sup> (3) developed an event expense policy covering regent and other Smithsonian events; (4) completed a review of the Smithsonian’s internal controls for travel and expense reimbursement and implemented a number of additional accountability measures for travel and expense reimbursement;<sup>23</sup> (5) held two regent annual public forums; (6) developed a Board orientation process; (7) completed a review and revision of the Board of Regents committees’ charters; (8) completed a review of appointment procedures to Board of Regents committees, which included clarifying the process for appointing nonregents to committees and making this process publicly available on the Smithsonian’s Web site; and (9) implemented a reform calling for a regular assessment of the Board, its committees, and its members.

While the Smithsonian has made considerable progress in implementing the Governance Committee’s reforms, work remains on 3 reforms recommended by the Governance Committee: 2 related to policies on broader Smithsonian operations and 1 related to communication and stakeholder relationships. According to Smithsonian officials, generally, the Board of Regents is responsible for setting the policies, and the Smithsonian administration is responsible for implementing those policies. While the Board of Regents has approved policies or plans related to the 2 policy-related reforms, the Smithsonian has not completed its

---

<sup>22</sup>Smithsonian Business Ventures was a centralized entity responsible for the Smithsonian’s various business activities. This entity has since been restructured and renamed Smithsonian Enterprises. The documented exceptions were driven by the fact that SBV used different automated systems from the rest of the Smithsonian for financial accounting, payroll, and time and attendance.

<sup>23</sup>In addition, the Smithsonian implemented five recommendations made by the Smithsonian Inspector General in January 2009 to further improve travel accountability. The Inspector General recommended that Smithsonian management (1) encourage use of per diem allowances rather than actual expenses; (2) expand post-travel compliance reviews; (3) revise procedures to define more precisely what circumstances constitute adequate justification for actual expenses rather than per diem allowances; (4) ensure compliance with sponsored travel procedures; and (5) verify that employees with approval authority are not subordinates of the travelers. The Smithsonian implemented all five of these recommendations by May 2009.

---

implementation of these reforms. In our May 2008 report, we raised concerns about challenges associated with these efforts, stating that effectively implementing the new policies and procedures developed during these reviews was likely to depend on effectively training staff and establishing accountability, both of which could be challenging because of a level of standardization and requirements that did not previously exist. The following provides a brief summary of the Smithsonian's efforts regarding these reforms:

- **Operational policies—contracting:** The Smithsonian has taken steps toward but not fully implemented the governance reform related to improving contracting policies and procedures. The Smithsonian has issued a new contracting policy and is currently writing formal procurement and contracting procedure manuals that implement this policy and provide the rules and procedures for day-to-day procurement and contracting activities. According to the Smithsonian's Chief Financial Officer (CFO), two of seven parts of the manual are completed and in use and the rest are scheduled to be completed by the end of fiscal year 2010. Completing these manuals is important because a lack of agency-specific policies and procedures can result in an increased risk of improper or wasteful contract payments.<sup>24</sup>
- **Operational policies—financial reporting and internal controls:** The Smithsonian has taken steps to implement its reform to conduct a comprehensive review of the Smithsonian's financial reporting and internal controls.<sup>25</sup> The Smithsonian conducted an initial review of financial reporting and internal controls which led to a plan—approved by the Audit and Review Committee in March 2009—to reduce the risk level of five processes identified by the Smithsonian as high risk by the end of fiscal year 2012. The work laid out in the plan for accomplishing this goal includes such tasks as writing new policies and procedures, training staff on responsibilities and procedures for which they are accountable, and

---

<sup>24</sup>In addition, while the Smithsonian is not required to follow the Federal Acquisition Regulation (FAR), the Smithsonian's contracting policy includes the FAR as a guiding principle. In this environment, when the FAR is not required, having strong procedure manuals may be even more important to ensuring that the contracting policy is effectively implemented and staff know what sections of the FAR the Smithsonian has chosen to follow.

<sup>25</sup>Internal control—the plans, methods, and procedures used to meet missions, goals, and objectives—is the first line of defense in safeguarding assets and preventing and detecting fraud and errors and helps government program managers achieve desired results through effective stewardship of public resources.

---

testing and validating controls through policy compliance reviews or personal property inventories. The CFO reported to the Audit and Review Committee that effective execution of the plan will require a commitment to increasing staffing and other resources over time. During the discussion with the CFO, members of the Audit and Review committee expressed concern that providing these resources may be challenging for the Smithsonian, given limited available resources and other priorities, such as collections care and research.

- **Communication and stakeholder relationships—role of advisory boards:** The Smithsonian has taken steps to implement its reform to enhance the role of its 30 advisory boards, which include a national advisory board as well as advisory boards that focus on individual museums, research centers, or programs, but has not resolved all issues.<sup>26</sup> The primary purpose of advisory boards is to provide advice, support, and expertise to the directors of museums, research centers, and programs, as well as to the Board of Regents and Secretary. We discuss the Smithsonian’s efforts regarding this reform later in this testimony, when we discuss the Smithsonian’s actions toward implementing our related May 2008 recommendation.

For more information on the Smithsonian’s efforts related to these reforms, see our newly issued report on this subject.<sup>27</sup>

---

## The Smithsonian Has Implemented One of GAO’s Four Governance Recommendations, While Work Remains on the Other Three





The Smithsonian has implemented one of the four recommendations we made in 2008 to strengthen its governance reform efforts, and it has taken steps to implement the other three recommendations. (See fig. 2.)




---

<sup>26</sup>Most advisory boards (except for those with mandated statutory authority) have no independent governance function, and all are subject to the authority of the Board of Regents. The Smithsonian is not subject to the Federal Advisory Committee Act, which requires federal agencies that sponsor federal advisory committees and have at least one member that is not a federal employee to comply with requirements for establishing and managing advisory committees. See 5 U.S.C. App. 2.

<sup>27</sup>[GAO-10-190R](#).

**Figure 2: Smithsonian's Progress in Implementing Our Governance Recommendations**

Category	Recommendation	Status
Structure and composition	Develop and make public a clear policy regarding the selection, use, and evaluation of nonregents.	
Communication and stakeholder relationships	Develop mechanisms to ensure the Board of Regents is considering and responding to stakeholders concerns.	
Assessment	Evaluate what actions the Board of Regents can take in the event of persistent neglect of duties by any of its members.	
	Arrange for a comprehensive evaluation of reforms after suitable time has passed.	

-  Recommendation has been implemented
-  Steps have been taken to implement the recommendation, but more work is needed
-  Recommendation has not been implemented

Source: GAO.

- **Assessment—actions in the event of persistent neglect of duties:** The Smithsonian implemented GAO's recommendation to evaluate what actions it can take in the event of persistent neglect of duties by a regent. In July 2009, the Board of Regents Governance and Nominating Committee<sup>28</sup> implemented this recommendation by considering a staff paper that described actions that could be taken in the event of persistent neglect of duties, and approving an approach that included initial counseling and potential referral to the full Board of Regents for appropriate action.
- **Structure and composition:** The Board of Regents has not fully implemented GAO's recommendation to develop and make public its process for the selection, use, and evaluation of nonregents. The Board of Regents implemented part of the recommendation by posting on its Web site the process for selecting nonregent committee members. However, the Board of Regents did not make a final decision regarding the use of nonregents on committees when in July 2009, its Governance and

<sup>28</sup>The Board of Regents established the Governance Committee as a standing committee in March 2007 and then combined committee function with its Nominating Committee in June 2007, after the issuance of the Governance Committee's report and recommendations on Smithsonian governance reforms. The committee is now called the Governance and Nominating Committee.

---

Nominating Committee tabled a proposed bylaw to give nonregent members of committees the same roles and responsibilities as regents. Committee members cited issues such as the lack of statutory authority of nonregent committee members and uncertainty over whether certain ethical and disclosure obligations of regents should apply to nonregent committee members, and requested that Smithsonian staff provide the regents with further information on potential implications of this bylaw. According to the chief of staff to the Board of Regents, subsequently, the Smithsonian concluded that existing governance requirements in committee charters require that all committee members, including nonregent members, file annual financial disclosures, and the Smithsonian plans to apply this requirement to these individuals. The Board of Regents official also stated that the Governance and Nominating Committee plans to further discuss this issue at its March 2010 meeting.

- **Communication and stakeholder relationships:** The Board of Regents took steps to improve its relationship with stakeholders, including advisory boards. For example, the Chair of the Board of Regents now sends a quarterly email to all advisory board chairs providing information on the most recent Board of Regents' meeting and asking to be contacted directly with any concerns. According to a Smithsonian official, when a concern is brought to the Chair's attention, it is either responded to immediately or tracked by the Office of the Board of Regents until responded to. In addition, the Smithsonian conducted a workshop of advisory board chairs in April 2009 as part of its strategic planning process, which was organized through the regents and led by the Chair of the Board of Regents and the Secretary of the Smithsonian. According to a Smithsonian official, the input provided by these advisory board chairs was considered as the strategic plan was developed. However, due to limitations of the efforts thus far—such as their informal nature and focus on dissemination of information from the regents rather than two-way communication—several advisory board chairs with whom we spoke expressed concern that the Board of Regents still lacked a sufficient understanding of Smithsonian museums and other entities to govern as effectively as possible.
- **Assessment—evaluation:** The Board of Regents has not yet conducted a comprehensive evaluation of its reforms but plans to do so in fiscal year 2010.



---

For more information on the Smithsonian's efforts related to these recommendations, see our newly issued report on this subject.<sup>29</sup> Both the Smithsonian and the Board of Regents concurred with the findings of that report.

---

## Smithsonian Implemented Most GAO Facilities Recommendations, but Has Not Submitted a Recommended Report to Congress

The Smithsonian has fully implemented four of the five recommendations we made in our September 2007 report on the Smithsonian's facilities, security, and funding challenges. It has not implemented the fifth recommendation regarding submitting a report to Congress and the Office of Management and Budget (OMB) on its funding strategy, but plans to do so. (See fig. 3.) Furthermore, although the Smithsonian has implemented our recommendation to more comprehensively analyze funding strategies to meet the needs of its facilities projects and is planning to launch a national fundraising campaign, it is unclear what amount of funds will be raised through such a campaign and, more specifically, what amount will be dedicated to facilities. In September 2007, we found that the Smithsonian faced challenges related to communicating security-related information to museum and facility directors and omitted private funds from its capital plan, reducing stakeholders' ability to comprehensively assess the funding and scope of facilities projects.<sup>30</sup> We also found the Smithsonian did not have a viable strategy to address its growing cost estimate for facilities projects, increasing the risks faced by its facilities and collections, and likely decreasing its ability to meet its mission.

---

<sup>29</sup> [GAO-10-190R](#).

<sup>30</sup> [GAO-07-1127](#).

**Figure 3: Smithsonian's Progress in Implementing GAO's Facilities Recommendations**

Category	Recommendation	Status
Security of facilities	Communicate information to museum and facility directors on security staff levels.	●
	Communicate information on all-hazards risk assessment to museum and facility directors.	●
Planning of capital projects	Communicate trust funding for facilities revitalization and construction in capital plan.	●
Funding of capital projects	Analyze nonfederal funding strategies in a more comprehensive manner.	●
	Submit a report to OMB and Congress that describes a funding strategy to meet the needs of the Smithsonian's revitalization, construction, and maintenance projects.	○

- Recommendation has been implemented
- ◐ Steps have been taken to implement the recommendation, but more work is needed
- Recommendation has not been implemented

Source: GAO.

- **Security of facilities—communicating information on security staff levels and all-hazards risk assessment:** The Smithsonian implemented our recommendations to communicate information to museum and facility directors on (1) daily security staff levels and (2) its all-hazards risk assessment.
- **Planning of capital projects—capital plan:** The Smithsonian implemented our recommendation to include the full scope of planned projects and information on planned funding sources—federal and private funds—for each project in its capital plan. In September 2008, the Smithsonian created a facilities capital plan for fiscal years 2008 through 2017 that includes a description of planned projects and their funding sources.<sup>31</sup>
- **Funding of capital projects—analyzing funding strategies:** The Smithsonian implemented our recommendation to analyze nonfederal

<sup>31</sup>Private funds are estimated through 2011 because, according to a Smithsonian official, the Smithsonian was uncertain about the level of private funds past fiscal year 2011.

---

funding strategies in a more comprehensive manner. In November 2007, the Board of Regents concurred with a more comprehensively analyzed and prioritized list of nonfederal funding strategies,<sup>32</sup> which included establishing a national campaign to raise private sector funds for Smithsonian programs and facilities, among other strategies.<sup>33</sup> According to Smithsonian officials, in the wake of the Board of Regents' September 2009 approval of a new strategic plan for the Smithsonian, the Board of Regents Advancement Committee is developing a plan for a national fundraising campaign in concert with Smithsonian staff, who, among other things, are determining what staff resources are necessary and are coordinating with the Smithsonian museums, programs, and other entities on goals for the plan. The Board of Regents Advancement Committee expects to approve a full national fundraising campaign plan no later than September 2010. While these steps implement our recommendation, it is unclear at this time how much in funds will be raised and, more specifically, what amount will be dedicated to facilities.

- **Funding of capital projects—reporting to Congress and OMB:** According to a Smithsonian official, the Smithsonian has not submitted a report to Congress and OMB on its fundraising efforts but plans to do so in the future as part of its communications strategy related to the national fundraising campaign.

---

<sup>32</sup>The funding strategies considered were more comprehensively analyzed than a list of strategies considered by the Board of Regents prior to our September 2007 report.

<sup>33</sup>According to a Smithsonian official, the other funding strategies the Board of Regents established as priorities at the November 19, 2007, board meeting include a “gift maintenance fee” specifically devoted to facilities, admission fees for selected special exhibitions, additional energy savings performance contracts, public-private partnerships to rehabilitate buildings, and to expand and improve the existing program of voluntary donation boxes in museums.

---

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions you or other Members of the Subcommittee may have at this time.

---

## GAO Contact and Acknowledgments

For further information about this statement, please contact Mark L. Goldstein, Director, Physical Infrastructure Issues, at (202) 512-2834 or at [goldsteinm@gao.gov](mailto:goldsteinm@gao.gov). Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Key contributors to this statement include David Sausville (Assistant Director), Brian Hartman, Susan Michal-Smith, Alwynne Wilbur, and Carrie Wilks.

---

---

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to [www.gao.gov](http://www.gao.gov) and select "E-mail Updates."

---

## Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

---

## Congressional Relations

Ralph Dawn, Managing Director, [dawnr@gao.gov](mailto:dawnr@gao.gov), (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, DC 20548

---

## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

