




Office of the Inspector General

Date January 14, 2011

To Patricia Q. Stonesifer, Chair, Board of Regents

cc John K. Lapiana, Chief of Staff to the Board of Regents
Alison McNally, Under Secretary for Finance and Administration
Bruce Dauer, Acting Chief Financial Officer
Andrew J. Zino, Comptroller
Stone Kelly, Office of Planning, Management and Budget

From  A. Sprightley Ryan, Inspector General

Subject Audit of Travel Expenses of the Board of Regents, Number A-11-04

The Executive Committee of the Board of Regents (Board) requested this audit to fulfill the statutory requirement under 20 U.S.C. § 44, which allows each member of the Board to be paid necessary traveling and other actual expenses to attend meetings of the Board and tasks the Executive Committee with auditing these expenditures. The Executive Committee requested the Office of the Inspector General to conduct an annual audit of these expenses.

Our objectives were to determine whether the travel expenses for those Regents who seek reimbursement for expenses associated with attending Board meetings comply with laws, regulations, policies, and procedures. We also assessed the adequacy of the Smithsonian's policies and procedures governing travel expense reimbursements.

RESULTS IN BRIEF

We found for Board meeting travel, the Regents provided adequate documentation to support their travel costs, and that reimbursement requests complied with laws, regulations, policies and procedures. Further, the Office of the Regents (the Office) adequately reviewed the reimbursement requests and explained the Smithsonian's reimbursement policies and procedures in writing to the Regents. We also found, however, that the Office should expand its policies to cover some routine expenses incurred by travelers which are currently not addressed in its written policy guidance.

BACKGROUND

The legislation that created the Smithsonian Institution (approved by Congress Aug. 10, 1846) called for the establishment of a Board of Regents to govern and administer the organization. This 17-member board, which meets at least four times a year, includes the Chief Justice of the United States and the Vice President of the United States as ex officio members of the Board. The other members of the Board of Regents are three members of the House of Representatives, three members of the Senate, and nine citizen members,

nominated by the Board and approved by Congress. Regents who are representatives and senators serve for the durations of their elected terms. The Bylaws of the Board of Regents limits Citizen Regents to a maximum of two six-year terms. The statute allows the reimbursement of each Regent for necessary travel and related expenses incurred in attending Board meetings.

After traveling to the Smithsonian for Board meetings, Regents requesting payment for travel expenses submit their receipts to the Office. In anticipation of the requests, the Office creates purchase orders from which to reimburse the requests. The Office segregates the duties of data entry and approval from budget approval and the encumbrance of funds within the Smithsonian's Enterprise Resource Planning (ERP) information processing system's purchase order process. This segregation mitigates the risk of error, waste, abuse, and fraud. Upon receipt of the Regents' reimbursement requests and supporting receipts, the Office reviews the documents to ensure that they are reasonable and for Board-related events. The Office also verifies that the receipts sufficiently support the request. The Office's Program Officer conducts the final review and approval of the request and then forwards it to the Office of the Comptroller's Accounts Payable Division for payment. The Accounts Payable staff review the request and input the request as an invoice into ERP, creating a voucher for payment based on the amount approved by the Office. ERP then generates the payment to the Regent by an electronic fund transfer. The Office of the Regents reconciles on a monthly basis the general ledger and the reimbursements authorized by the Office.

RESULTS OF AUDIT

During the audit period, October 1, 2009 through September 30, 2010, only five of the 17 Regents requested and received reimbursement for travel expenses incurred while attending 21 Board and committee meetings, for a total of \$19,759.66. As expected, most of the reimbursements were for hotel and airfare expenses. We identified all payments made to the Regents for Board meeting travel and we also requested and reviewed all supporting documentation to confirm that documentary evidence supported payments.

The Regents' travel was appropriately authorized and adequately supported by documentation. The reimbursements were also reasonable. We did not identify any trips where the Smithsonian reimbursed the Regents at first-class air or rail transportation rates, and the Regents kept their meals and miscellaneous expenses within reasonable amounts. We did, however, identify some minor computational errors in the travel reimbursements. We also believe the Office needs to update the travel policies to protect against unreasonable expenses and to cover some routine expenses currently not included in the Office's written guidance.

Specifically, we found the following:

- Four of the 21 travel reimbursements contained computational errors totaling \$282. The review of the Regents' travel is primarily performed by one individual. The Program Officer reviews the reimbursement requests for compliance with the Regent meeting expense policy and also approves the requests. The responsibility for reviewing and approving travel expenses should be divided between two individuals to minimize the likelihood of introducing errors without detection.
- The reimbursement procedures do not limit payment for transportation costs to and from airports or train stations in originating cities. The procedures allow for

payment of actual expenses incurred by the Regents for such transportation. We noted that one Regent was reimbursed \$760 for a total of eight contracted car service rides to and from the airport during six trips. We estimate that taxi fare for these rides would have cost no more than \$431. To ensure that travel to and from airports and train stations is reimbursed at a reasonable level, the Office should modify its policy to limit such expenses to the cost of riding via taxi. Since the Smithsonian currently limits reimbursements to and from the airports in the Washington, D.C. area to a fixed taxi fare, this modification would make the policy consistent.

- The Office approved reimbursement for some expenses for which there was no controlling policy. The reimbursements were both reasonable and consistent with the Federal Travel Regulation, but were not explicitly covered by current policy guidance. For example, the policy did not address the use of privately-owned vehicles and related parking fees. The Smithsonian reimbursed Regents a total of \$130 for private vehicle use in the originating city and \$60 for private vehicle parking. Also, the procedures did not address reasonable miscellaneous expenses. The Smithsonian reimbursed Regents a total of \$564 for various miscellaneous expenses including \$476 in local taxes, \$45 for internet fees, and \$43 for hotel parking. To ensure that its policies are comprehensive and reflect current reimbursement practices, the Office should update them.

RECOMMENDATIONS

We recommend that the Smithsonian strengthen the process for reimbursing the Regents' meetings expenses as follows:

1. To provide closer scrutiny before reimbursing Regents, separate people should review and approve travel expenses.
2. The Office should limit reimbursement for the cost of transportation to and from airports or train stations in originating cities to a reasonable standard such as taxi fare.
3. The Office should update its policy guidance to explicitly approve a range of reasonably expected expenses such as the use of privately owned vehicles and related parking fees, and other miscellaneous expenses.

MANAGEMENT'S RESPONSE

In management's January 14, 2011, response to our draft report, management concurred with the recommendations. The Office of Regents addressed our recommendations by revising the Regents travel reimbursement policy.

We include the full text of management's response as Appendix B.

OFFICE OF THE INSPECTOR GENERAL COMMENTS

Management's planned actions respond to the recommendations, and we consider the recommendations resolved. We appreciate the courtesy and cooperation of Smithsonian representatives during this audit.

APPENDIX A. SCOPE AND METHODOLOGY

The objectives of this audit were to determine whether the travel expenses for those members of the Board of Regents who seek reimbursement for expenses associated with attending Board meetings comply with laws, regulations, policies, and procedures. We also assessed the adequacy of the Smithsonian's policies and procedures governing travel expense reimbursements.

To evaluate the Institution's policies and procedures for reimbursement of Regents' travel expenses, we reviewed Smithsonian Directive 312; the Smithsonian Travel Handbook; the Board of Regents Charter and Bylaws; the Office of Regents' Reimbursement of Regents Meeting Expenses Policy; and 20 United States Code Section 44, which addresses the Smithsonian Board of Regents. We also reviewed the Federal Travel Regulation and travel reimbursement procedures from other organizations and assessed the adequacy of Smithsonian procedures against those procedures. We also interviewed key personnel from the Office of the Regents and the Comptroller's Office.

To identify the total population of Regent travelers, we obtained listings of Regents that served during our audit period, October 1, 2009 through September 30, 2010, and minutes from Board of Regents meetings. We also obtained listings from the Office of the Regents of all reimbursements the Smithsonian paid for Regents' travel expenses. We identified five Regents who claimed reimbursement for a total of 21 Board meeting attendance travel related expenses during the period. Their travel reimbursements for the period totaled \$19,759.66. We reviewed 100 percent of these reimbursements.

We conducted this performance audit in Washington, D.C., from November 2010 through January 2011, 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 believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



APPENDIX B. MANAGEMENT RESPONSE

Smithsonian Institution

Office of the Regents

DATE: January 14, 2011

TO: A. Sprightley Ryan, Inspector General

FROM: John K. Lapiana, Chief of Staff to the Regents *JKL*

CC: Patricia Q. Stonesifer, Chair, Board of Regents
Alison McNally, Under Secretary for Finance and Administration
Bruce Dauer, Acting Chief Financial Officer
Andrew J. Zino, Comptroller

RE: Audit of Travel Expenses of the Board of Regents, No. A-11-04

We appreciate the opportunity to review and comment on the Audit of Travel Expenses of the Board of Regents, No. A-11-04. Below is our response to the recommendations (in bold) contained in the audit.

- 1) **To provide closer scrutiny before reimbursing Regents, separate people should review and approve travel expenses.**

We believe that the facts presented in the report are accurate and we concur with the recommendation. Beginning immediately, Carol Anderson will receive requests for reimbursement from Regents and review them for accuracy. Grace Jaeger will review and prepare reimbursement documentation. I will further review them for compliance and accuracy before transmittal to the Office of the Comptroller.

- 2) **The Office should limit reimbursement for the cost of transportation to and from airports or train stations in originating cities to a reasonable standard such as taxi fare.**

We believe that the facts presented in the report are accurate and that previous requests have been reimbursed under a reasonable standard. We will follow the guidance to explore the use of online taxi calculation services in determining fares to and from airports and train stations in originating cities. We also request changing the word "limousine" to "contracted car service" in the report.

- 3) **The Office should update its policy guidance to explicitly approve a range of reasonably expected expenses such as the use of privately owned vehicles and related parking fees, and other miscellaneous expenses.**

We believe that the facts presented in the report are accurate and we concur with the recommendation. The attached revised policy is in effect immediately.

On behalf of the Office of the Regents, I would like to commend the professionalism of, and guidance from, the audit team.

APPENDIX C.

The following individuals from the Smithsonian Office of the Inspector General contributed to this report:

Brian Lowe, Supervisory Auditor
Mark Mc Bride, Lead Auditor