



Smithsonian Institution

Cristián Samper
Acting Secretary

September 19, 2007

Mr. David M. Walker
Comptroller General
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Walker:

On behalf of the Smithsonian Institution, thank you for this opportunity to respond to your report *Smithsonian Institution: Funding Challenges Affect Facilities Conditions and Security, Endangering Collections*. We are pleased that the Government Accountability Office (GAO) expended significant time and effort over the last year to meet with our staff, tour our facilities, and review our documentation in order to understand the magnitude and complexity of the Smithsonian's facilities and security challenges. We are also pleased that GAO recognizes the significant strides we have made in improving the management of our facilities.

We accept all of the recommendations outlined in your report and agree to:

1. Improve the level of communication between the Office of Protection Services (OPS) and our museum and facility directors by making them more aware of the multi-hazard risk assessment and its impact on the prioritization of security projects and providing them with daily information related to security issues, including the number of security officers assigned to their facilities; and
2. Increase the comprehensiveness of documents that describe our facilities' funding needs by adding private trust funds to the funding sources listed on our five-year capital plan and our estimate for facilities revitalization, construction, and maintenance projects through 2013.

In addition, the Smithsonian Board of Regents is already in the process of addressing GAO's third recommendation and is:

3. Analyzing more comprehensively additional strategies for addressing our facilities needs. (As requested, the Board of Regents will submit a report to the Office of Management and Budget and Congress by the end of 2007 that describes a funding strategy to meet the Smithsonian's needs for revitalization, construction, and maintenance.)

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Smithsonian Facilities: Challenges and Successes

As GAO learned over the course of its 12-month review, the Smithsonian is responsible for the operations, maintenance and repair of hundreds of structures located on the National Mall and in the Washington metropolitan area, but also in many other locations around the United States and the world. This family of facilities includes National Historic Landmarks, research labs, collections storage areas, office buildings and a wide array of other structures, all possessing a unique set of expected functions and maintenance and security challenges. Keeping pace with the constant daily needs of these facilities is the full-time job of thousands of Smithsonian employees, each of whom takes pride in the scientific discoveries, educational endeavors, and stimulating experiences that these buildings make possible. Ensuring the fitness and safety of our facilities—and the people and collections that are housed within them—is one of the most important responsibilities that the Smithsonian owes the American people.

We are pleased that you recognized the significant strides made by the Smithsonian's Office of Facilities, Engineering and Operations (OFEO) since GAO's last report. Since 2005, OFEO has completed the integration of our facilities functions into one office, greatly improving efficiency and coordination of our efforts in this area. This reinvigorated structure has enabled OFEO to perform a critical assets inventory of over 10,000 operating components, each with work plans, to enable our use of a Reliability Centered Maintenance approach. This has resulted in a reduction in failures of major equipment by 20 percent. We have also initiated a massive energy conservation effort that has resulted in more than \$5 million in savings over the past 18 months. These successes led OFEO to be named the 2006 National Winner of the APPA (Association of Higher Education Facilities Officers) Award for Excellence in Facilities Management and enabled the Institution to achieve the highest rating by OMB on the Program Assessment Rating Tool (PART) evaluations for both the Facilities Capital and the Facilities Operations and Maintenance programs.

These accomplishments aside, we acknowledge GAO's findings here and in its 2005 report that we continue to face significant challenges in addressing the \$2.5 billion of revitalization, construction and maintenance requirements that are on hold due to a lack of funds. These financial limitations also make more difficult the critical task of ensuring the security of our buildings and the safety of our visitors, staff and collections.

The examples of facilities problems cited in GAO's report are but some of the structural, mechanical and aesthetic needs that cannot be met because we simply do not have the funds to do so. Without sufficient financial resources, failing mechanical systems cannot be replaced, recurring roof leaks cannot be eradicated, and worn fixtures cannot be

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upgraded. Our current funding enables the Institution to respond only to the most critical of needs: those that could threaten public safety, cause damage to collections, or pose significant limits on public access or operability. This focus leaves out the necessary routine maintenance that prevents small problems from growing into big ones that ultimately cause more damage and cost more to fix, and delays the planned replacement of aged building systems before they reach the breakdown stage.

Yet, if additional funding could be secured, the Smithsonian has proven that it would be able to wisely and efficiently spend it to fix these problems. Over the last five years, our obligation rate for facilities capital projects has averaged above 90 percent, while the obligation rate for facilities maintenance (one-year appropriation) has been greater than 99.9 percent. This shows that even with limited funding, the Smithsonian has managed to resolve a number of significant facilities problems and could do more with increased funds. Some recent highlights include roof repairs at the National Museum of Natural History to correct leaks into collections areas as well as offices; repair of numerous leaks in the Quadrangle roof garden that were threatening collections and galleries; and replacement of high-voltage distribution systems at the Conservation Research Center. We have also paid significant attention to fire protection needs at the National Zoological Park, installing new systems at the Rock Creek and Front Royal facilities. Further fire protection projects at the Zoo are in the Capital Plan, and all are scheduled to be completed over the next five years.

Facilities Revitalization is a Priority of the Smithsonian Board of Regents

The Smithsonian Board of Regents takes very seriously the Institution's facilities crisis and is currently engaged in a significant effort to address it. As GAO mentioned in its report, in June 2005 the Smithsonian Board of Regents established an Ad-Hoc Committee on Facilities Revitalization to evaluate funding strategies to address this issue. In June 2007, the Board voted to make this group a standing committee of the Board of Regents—an acknowledgement of this challenge's importance to the future health of the Institution.

Since this Committee was made permanent, members have met with senior staff to evaluate the range of revitalization, construction and maintenance needs and to assess the prioritization of these requirements. This summer, at the request of the Committee, senior Smithsonian staff updated and augmented the funding options papers described by GAO in this report and researched additional funding ideas that were suggested by the Regents and other sources. These funding options were discussed by the Committee during its September meeting and are on the agenda for its next meeting in October. At that time, the Committee will evaluate each option individually and in combination. In the interim, the Committee is reviewing facilities funding strategies undertaken by similar

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entities and will reach out to external stakeholders to generate further ideas. In addition, the Committee will review existing Smithsonian funding priorities to determine if any funds are available to redirect toward facilities needs. The results of these efforts will inform the Committee's plan to address the facilities requirement. This plan, which was previously requested by Senate Rules Chair Dianne Feinstein (D-CA), will be presented in draft form to the full Board of Regents at its November meeting, and, as requested by GAO, in final form to OMB and Congress by the end of the year.

Importance of Federal Role in Maintaining Smithsonian Facilities

While the plan will provide a blueprint for how the Smithsonian can supplement government funding to address this crisis, the federal role in ensuring the welfare of the Institution's buildings cannot be overstated. In the years after Congress passed the law establishing the Smithsonian in 1846, the federal government began transferring existing objects and directing that new ones be housed at the Smithsonian. Starting in 1858, in acknowledgement of the costs associated with this responsibility, the Congress began providing an annual appropriation to the Smithsonian for the care of what became known as the National Collection. Since then the size of the National Collection—which includes everything from historic artifacts to priceless paintings to rare animals—has grown to include more than 136 million objects, artworks and specimens. More than 23 million visitors came through our doors last year to glimpse the wonder and wisdom contained in these precious objects and living things. Since the safety and soundness of our buildings is directly related to our ability to successfully preserve, study, and display these collections, it is only fitting that taxpayer dollars be used toward this noble purpose. The Smithsonian is grateful to the Congress and the people of the United States for the annual appropriation it receives each year, a large portion of which goes toward operating and maintaining our buildings.

Limits of Smithsonian Trust Funds in Addressing Facilities Funding Challenges

As a Federal trust instrumentality, the Smithsonian also relies significantly on private funding to carry out its mission. Monies brought in from donors and revenue-generating enterprises make up about a third of the Institution's annual revenues. Although GAO has implied in its report that these trust funds offer a solution to our facilities crisis, a review of the current uses of these funds shows the difficulties associated with this approach. The majority of Smithsonian trust funds are given by a donor for a specific purpose and thus cannot be diverted to pay for building operations, repairs or maintenance. The remaining unrestricted trust funds budgeted annually, about \$58 million in FY 2006, cover administrative and mission-related costs that either cannot be paid for with, or are not completely supported by, Federal funds. And while a portion of these unrestricted funds does consist of an annual payout from our endowment, prudent

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financial management guidelines dictate that this amount should not exceed 5 percent of the five-year average endowment value (a formula that currently yields an annual payout of about \$13 million). Additionally, drawing down the unrestricted endowment principal in a special payout would reduce the annual future payout, providing only a limited one-time infusion of funds. In sum, using unrestricted trust funds for building repairs and maintenance provides illusory benefits because it would require the Institution to eliminate multiple programs and positions for which there are no funding alternatives, compromising our educational and scientific mission while having almost no impact on the \$2.5 billion facilities requirement.

GAO's report also references the possibility of raising private funds specifically to address facilities needs. While the Smithsonian is certainly open to the idea of soliciting and accepting gifts from donors for this purpose, the lack of success we and other Institutions have had with this approach indicates that it may only have limited value. While donors have given generously toward the construction of new facilities and major enhancements of existing facilities, we have found that most donors believe that the Smithsonian's operations, revitalization, and maintenance costs are a Federal responsibility. In fact, many are more likely to make a gift if it can enhance a project already supported by Federal funds.

The Smithsonian and many other public and nonprofit institutions have found that donors make gifts to institutions primarily to support programs for which they have a passion or to establish a legacy that will benefit future generations. As a result, most institutions with comparable facilities maintenance and operations funding challenges have not been able to attract donors who are willing to give substantially toward repairing damaged roofs or replacing aging wiring without being able to relate this to a program or project that reflects the programmatic mission of that institution. In April 2007, the Smithsonian commissioned an independent philanthropic management consultant to survey similar nonprofit and public entities on this topic. The consultant's report concluded that "Although several institutions noted that the need to improve infrastructure and address the costs of deferred maintenance is an ongoing concern, all reported that effort to secure support for these purposes has been unsuccessful, except when embedded in programmatic improvements." So while the Smithsonian remains open to investigating the level of interest of private donors to address our revitalization and maintenance requirements, we do not believe that this option alone will suffice to solve the \$2.5 billion problem.

Smithsonian Security Record is Strong Even With Limited Resources

While we agree to implement GAO's recommendations regarding communication with directors about our security operations, we believe that our security and safety record is

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outstanding even with the personnel shortages and funding challenges we face. The Smithsonian's Office of Protection Services (OPS) and the professional security officers that make up its force are directly responsible for the safety and security of the people and collections that are housed in our buildings. Although we take seriously the individual incidents that GAO pointed out in its report, given the hundreds of buildings OPS is responsible for monitoring, the thousands of people who visit and work in our buildings each day, and the millions of collections we house, we believe the OPS security record is commendable. Incidents of theft and other crimes are extremely rare, as evidenced by our Total Recordable Crimes Rate, which is well below the average for museums and zoos. Responses to emergencies are swift and professional, such as the 2006 mall-wide evacuation that required Smithsonian security personnel to shelter-in-place thousands of people fleeing a Fourth of July thunderstorm. And design elements and planning for natural disasters, terrorist attacks, and other major incidents are done to the highest standards, leading other organizations to cite our Glass Hazard Mitigation Program and our Mall-Wide Perimeter Barrier program as benchmarks in the field.

However, recruiting and retaining qualified security personnel to carry out these duties remains a major challenge and one that we are working to resolve. As part of this effort, the Smithsonian plans to commission a study of the security staffing levels in our facilities that will yield a plan outlining appropriate staffing for high- and low-risk operations. We will continue to seek innovative ways to recruit and retain talented individuals for these important positions.

The OPS leadership also understands the importance of meaningful and regular communication with the management and staff of the facilities for which it provides security. Senior OPS officials already meet yearly with each facility director to discuss security challenges and changes for the coming year, and building security managers and officers are available on a daily basis to respond to questions or concerns. In response to GAO's recommendations, the OPS Director will meet one additional time per year with each facility director to discuss specific security plans and issues. While OPS distributed the most recent Multi-Hazard Risk Assessment to all facility directors, it is clear from GAO's report that not all directors were aware of that document. Therefore the agenda for these bi-annual meetings will also include a discussion of that risk assessment. In response to GAO's concerns about a lack of available information on security staffing levels at museums and other facilities, OPS will now send a daily security roster to each facility and museum director.

Role of Trust Funding in Smithsonian Capital Plan and Overall Facilities Budget

The Smithsonian agrees with and will implement GAO's recommendation to incorporate more trust fund information in the next iteration of the Capital Plan, which will support

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the FY 2009 budget request when it is presented to Congress in February 2008. Based on this information, the Institution will recalculate the total requirement for capital and maintenance.

While we agree this approach will prove beneficial to internal and external stakeholders, we note, however, that much of this information is already available to them. From the time major projects with private funding are presented for Smithsonian management approval through execution of each project, full and detailed Federal and trust funding information is provided to decision makers, both internally and externally. For example, the Capital Plan already includes projects that receive private funds, and Federal budget justifications in the past several years for such projects as the National Museum of American History revitalization and the National Zoological Park Asia Trail project reference the trust funds associated with those projects. Further, the Institution provides very detailed information on the Federal and trust funding projections for major projects in the Exhibit 300s provided each year to OMB. In addition, a variety of reports are provided to internal stakeholders at a number of levels, including the summary “tripod” charts, executive and oversight committee presentations, and the operational review presentation to the Secretary three times a year. Examples of some of these documents were provided to GAO during its review. External stakeholders such as OMB and Congress receive information on required funding—from all sources—as part of the project authorization process (for construction/expansion projects), as well as part of the appropriations process (in the budget narratives and during hearings and follow-up questions for the record). External review agencies such as the National Capital Planning Commission also receive information on total project funding in the annual submission for the Federal Capital Improvements Program. As these examples attest, the Institution is committed to ensuring that stakeholders at all levels have complete funding information to facilitate appropriate decisions in the management of its real property inventory.

We appreciate GAO’s efforts to conduct this thorough and fair review of our facilities and security responsibilities and funding needs. There is no question that the \$2.5 billion facilities requirement is one of the most important challenges the Smithsonian faces. We must not lose sight, however, of the need to continue advancements and improvements in our programs as well, an area in which our donors have been extraordinarily generous. We pledge to do our part to address these significant funding challenges, and the Smithsonian and the Board of Regents look forward to working with Congress to tackle these issues.

Sincerely,

A handwritten signature in black ink that reads "Crishan Sampedro" followed by a stylized flourish.