



In Brief

Travel Oversight
Report Number A-08-02, January 23, 2009

Why We Did This Audit

We performed this audit at the request of Congress and our Board of Regents to follow up on earlier reviews that found travel abuse by senior Smithsonian management. It also responds to requests by Congress that we review the travel expenses of senior-level staff in 2006 and 2007.

The objectives of this audit were to assess whether (1) policies and procedures related to travel expenditures are adequate and in compliance with applicable laws and regulations; (2) key controls for managing travel are operating properly in the units; (3) Smithsonian executives and Regents are traveling for authorized purposes and for reasonable amounts; and (4) cardholders are paying their travel card obligations in a timely manner.

What We Recommended

We made five recommendations to strengthen procedures and oversight: that management encourage use of per diem rather than actual expenses; expand post-travel compliance reviews; revise procedures to define more precisely what circumstances constitute adequate justification for actual expenses; ensure compliance with sponsored travel procedures; and verify that employees with approval authority are not subordinates of the travelers.

Management concurred with our findings and recommendations and proposed corrective actions that will resolve our recommendations.

What We Found

Management could have more effectively overseen travel at the Smithsonian and reduced the Institution's risks and costs. Nonetheless, despite weaknesses in oversight, we found that for a significant majority of the trips we reviewed, Smithsonian executives traveled within the rules.

Although the Smithsonian has been strengthening controls, its policies and procedures governing travel were not always adequate to ensure Smithsonian travelers complied with applicable laws and regulations. Key controls for managing travel were not always operating properly in the units. We found that:

- Smithsonian officials often approved the use of actual expenses that exceeded lodging per diem limits. Although allowed by the Federal Travel Regulation (FTR), this practice may have increased travel costs unnecessarily.
- Prior to mid-2007, under the old Travel Manager System, Smithsonian officials routinely approved, without adequate justification, the use of actual expenses that exceeded lodging per diem. The number of such approvals declined under the new GovTrip travel system.
- Travelers did not always adequately document or obtain required approvals for sponsored travel.
- Subordinates approved authorizations and vouchers. The number of such improper approvals declined after the Smithsonian strengthened written travel procedures in May 2007.

Smithsonian executives generally traveled for authorized purposes and for reasonable amounts. The Regents traveled for authorized purposes and generally submitted travel expenses that were reasonable.

Senior-level travelers generally paid their travel card obligations timely.

We also observed other shortcomings with travel oversight which, while not critical, do deserve management attention. We found travelers did not always provide, and approvers did not always require, proper supporting documentation; did not always take advantage of the Smithsonian's tax exempt status; and did not always use the government travel card while on travel.

We also found that some Smithsonian executives were frugal. Moreover, we found almost no instances of misuse by travelers other than those this office has already reported on separately.

For additional information or a copy of the full report, contact the Office of the Inspector General at (202) 633-7050 or visit <http://www.si.edu/oig>.



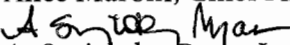
Smithsonian Institution

Office of the Inspector General

Date January 23, 2009

To Audit and Review Committee, Board of Regents
G. Wayne Clough, Secretary

cc Alison McNally, Under Secretary for Finance and Administration
Alice Maroni, Chief Financial Officer

From 
A. Sprightley Ryan, Inspector General

Subject Audit of Travel Oversight, Number A-08-02

We performed this audit at the request of Congress and our Board of Regents to follow up on earlier reviews that found travel abuse by senior Smithsonian officials. Our audit also responds to requests by the Chairman of the Committee on House Administration that we review expense policies for senior staff and by the Chairman of the Senate Committee on Rules and Administration that we provide an analysis of the travel and other expenses of all museum directors and executive staff in 2006 and 2007.

The objectives of this audit were to assess whether (1) policies and procedures related to travel expenditures are adequate and in compliance with applicable laws and regulations; (2) key controls for managing travel are operating properly in the units; (3) Smithsonian executives and Regents are traveling for authorized purposes and for reasonable amounts; and (4) cardholders are paying their travel card obligations in a timely manner.

Accordingly, we identified 92 senior-level travelers who spent a total of approximately \$1.7 million on official travel between October 1, 2005 and December 31, 2007. Of those 92, we judgmentally sampled the 50 travelers who spent the largest dollar amounts on travel. For these 50 travelers, there were a total of 1,539 trips totaling approximately \$1.5 million during this period, and we reviewed a judgmental sample of 806 of their larger trips totaling approximately \$1.2 million in travel costs. This sample represents approximately 70 percent of the total senior-level trip costs of \$1.7 million for that period. The Smithsonian used trust funds to pay for approximately \$1 million of the \$1.2 million in travel costs, or approximately 84 percent, in our sample. The Smithsonian paid the remainder of the \$1.2 million, or 16 percent, using federal funds.

We include a detailed description of our scope and methodology in Appendix A.

RESULTS IN BRIEF

Management could have more effectively overseen travel at the Smithsonian and reduced the Institution's risks and costs. Nonetheless, despite weaknesses in oversight, we found that for a significant majority of the trips we reviewed, Smithsonian executives traveled within the rules.

Although the Smithsonian has been strengthening controls, its policies and procedures

governing travel were not always adequate to ensure Smithsonian travelers complied with applicable laws and regulations. Key controls for managing travel were not always operating properly in the units. We found that:

- Smithsonian officials often approved the use of actual expenses that exceeded lodging per diem limits. Although allowed by the Federal Travel Regulation (FTR), this practice may have increased travel costs unnecessarily.
- Prior to mid-2007, under the old Travel Manager System (TMS), Smithsonian officials routinely approved, without adequate justification, the use of actual expenses that exceeded lodging per diem. The number of such approvals declined under the new GovTrip travel system.
- Travelers did not always adequately document or obtain required approvals for sponsored travel.
- Subordinates approved authorizations and vouchers. The number of such improper approvals declined after the Smithsonian strengthened written travel procedures in May 2007.

Smithsonian executives generally traveled for authorized purposes and for reasonable amounts. The Regents traveled for authorized purposes and generally submitted travel expenses for reasonable amounts.

The Smithsonian had an effective process for ensuring timely payment of employee travel cards. Although senior-level travelers generally paid their travel card obligations in a timely manner, there were some exceptions.

We made five recommendations to strengthen procedures and management oversight. These recommendations should reduce risks, ensure compliance with the Federal Travel Regulation, and reduce travel costs.

We also observed other shortcomings with travel oversight which, while not critical, do deserve management attention. For example, we found travelers did not always provide, and approvers did not always require, proper supporting documentation; did not always take advantage of the Smithsonian's tax exempt status and thus may have paid unnecessary lodging taxes; and did not always use the government travel card (rather than personal credit cards) while on travel.

We also found that some Smithsonian executives were frugal. For example, for the trips we reviewed, we found several executives who saved the Institution thousands of dollars by claiming less than the per diem to which they were entitled. Moreover, we found almost no instances of misuse by travelers other than those this office has already reported on separately; we did not include those individuals in our sample.

BACKGROUND

Travel Approval Procedures

The Smithsonian follows the Federal Travel Regulation (FTR). *Travel authorizations* establish the destination, duration, and cost of the trip. Travelers prepare travel

authorizations by entering information such as the duration and points of travel, expected expenses, and mode of travel into an automated travel system. The travel authorization is then automatically routed to the next level of review, such as the funds certifier, and then to the appropriate approving official for approval.

Travel vouchers and supporting documentation provide evidence to support the traveler's claim for reimbursement. Within 5 work days after returning from the trip, the traveler or administrative staff must prepare a travel voucher, which includes an itemized list of expenses the traveler actually incurred. The automated system routes the travel voucher to the appropriate official for approval. The approving official ensures proper receipts are attached, per diem rates are correct, and expenses are reasonable. The voucher is then routed to the payment office for reimbursement of the traveler.

Beginning with FY 2008, the Office of the Comptroller's Financial Policies & Procedures Division initiated a compliance review program to review 100% of senior executive travel and a sample of non-senior executive travel. The Chief Financial Officer (CFO) reported the results of the FY 2008 senior executive travel reviews to the Regents' Audit and Review Committee.

Smithsonian Travel Systems

During the period we reviewed, the Smithsonian upgraded its travel systems, switching from Travel Manager (TMS) to the GovTrip system. Although these systems have similar processes to enter authorization and voucher data, GovTrip has additional system controls. For example, travelers must enter an explanation if they are going to claim actual expenses and must scan in receipts for review by the approving official.

From the beginning of our audit period (October 1, 2005) until June 2006, Smithsonian Enterprises used Smithsonian travel policies. Smithsonian Enterprises then implemented its own travel policy, which was in effect through the end of our audit period.¹ In mid-July 2007, they began to use the GovTrip system as well, while using their own policies.

RESULTS OF AUDIT

Smithsonian Officials Routinely Approved, without Adequate Written Justification, the Use of Actual Expenses that Exceeded Lodging Per Diem Limits

The Smithsonian, like other government entities, covers expenses for official travel through an expense allowance known as a per diem. This allowance is a daily payment that varies by destination and time of the year and is made up of two rates, one for lodging, and another for meals and incidental expenses (M&IE). While M&IE can be claimed regardless of the traveler's true cost, the lodging per diem is a not-to-exceed amount. Under the most common per diem calculation, travelers are reimbursed the actual lodging cost not to exceed the maximum lodging rate for the location plus the M&IE allowance.

¹ Beginning in August, 2008, Smithsonian Enterprises stopped using its own procedures and now follows Smithsonian policies again.

The FTR and the Smithsonian Travel Handbook allow travelers to claim reimbursement for actual lodging expenses they incur, rather than the per diem, under certain circumstances:

- Lodging and/or meals are procured at a prearranged place such as a hotel where a meeting, conference, or training session is held;
- Costs have escalated because of special events; lodging and meal expenses within prescribed allowances cannot be obtained nearby; and costs to commute to/from the nearby location consume most if not all of the savings achieved from occupying less expensive lodging;
- Because of mission requirements; or
- Any other reason approved by the agency.

Requests for reimbursement of actual expenses exceeding the lodging per diem rate must be authorized in advance and supported by a written and approved justification.²

The most significant of the issues we found during this audit was travelers' extensive use of actual expenses in excess of per diem amounts for lodging expenses. Approving officials authorized travelers for actual lodging expenses in excess of per diem for 211 (approximately 26 percent) of the 806 trips we sampled. See Table 1 below. To minimize the risk of waste and abuse, we believe that the Smithsonian should limit the use of actual expenses in excess of per diem amounts for lodging to exceptional circumstances.

TABLE 1
Number of Trips with Actual Expenses
in Excess of Per Diem for Lodging
Remained Relatively Constant During the Period We Reviewed

	Trips with Actual Expenses in Excess of Per Diem/Total Trips Sampled	Percentage of Trips with Actual Expenses in Excess of Per Diem
TMS (prior to mid-2007)	165/646	26%
GovTrip (after mid-2007)	46/160	29%
Total	211/806	26%

We also found travelers did not always provide adequate written justifications in advance for use of actual expenses for lodging, which may have resulted in unnecessary costs for the Institution. In our sample, we found travelers did not produce adequate written justifications for lodging in 91 of the 211 trips with actual expenses (43 percent). For these 91 trips, travelers exceeded per diem by \$17,097. Although use of actual expenses may have been appropriate for some or all of those trips – for example, if there were no government-rate hotel rooms available – we could not always determine whether they were because of the absence of written justifications. See Table 2 below. We did note that the number of trips where actual expenses were used for lodging without adequate

² According to the FTR, subject to the agency's policy, after the fact approvals may be granted when supported by an acceptable explanation.

written justification declined under the new GovTrip system, as this system requires travelers to enter an explanation into the system when they request actual expenses. We believe this additional requirement in GovTrip is an improvement over the old TMS system.

TABLE 2
Decline in the Number of Trips with Actual Expenses for Lodging Lacking Adequate Written Justifications

	Trips Lacking Adequate Written Justifications	Percentages
TMS (prior to mid-2007)	86/165	52%
GovTrip (after mid-2007)	5/46	11%
Totals	91/211	43%

Travelers were often reimbursed for actual expenses for lodging instead of per diem, and these reimbursements were not always supported by adequate written justifications, for several reasons. First, the Smithsonian’s procedures did not specify what constituted adequate justifications for actual expenses. Second, where approving officials were the traveler’s subordinates, the approving officials were placed in the difficult position of having to question their superiors’ decisions to incur actual expenses. Third, one key approving official told us that under the old travel system (TMS), she generally approved executives’ requests for actual expenses for lodging instead of per diem without question.

The Smithsonian may have been able to reduce the amount of expenses over per diem if approving officials had required adequate written justification. In addition, we believe that the use of actual expenses may not have been necessary and that travelers may have been able to fully accomplish their missions at lower costs. Moreover, exceeding per diem limits may create an appearance of lavish travel and of using Smithsonian resources (travel funds) for personal gain.

We alerted management during an earlier review³ that we believed the standards for obtaining actual expenses rather than per diem should be stricter. We also recently issued a management advisory to the same effect. Notwithstanding the catch-all provision whereby an agency can authorize actual expenses for “any other reason approved by the agency,” the General Services Administration, which administers the FTR, recently explained to our office that the actual expense provision “provides the means for agencies to adequately reimburse employees that need to travel under unusual or emergency circumstances.” Finally, restricting the use of actual expenses over per diem to those circumstances where they are truly necessary will be more in keeping with the Smithsonian’s obligation to be prudent with its limited resources.

³ We stated that we believed “that the Institution should revise its travel policy to allow actual expenses (rather than per diem) only in exceptional, defined circumstances.” Review of the Compensation and Expenses of the Chief Executive Officer of Smithsonian Business Ventures, Transmittal Letter, July 19, 2007. We also recommended that the Board of Regents request the Acting Secretary to revise the Institution’s travel policy to establish stricter standards for when actual expenses, rather than per diem, may be authorized for travel.

RECOMMENDATIONS

We recommend that the Chief Financial Officer:

1. Publicize through SI-wide e-mail announcements that all travelers should strive to use per diem rather than actual expenses for lodging, except in unusual circumstances;
2. Expand the Office of the Comptroller's post-travel compliance reviews to include an analysis of how often, and by what amount, travelers exceed lodging per diem rates; and
3. Revise existing procedures to define more precisely what circumstances constitute adequate justification for actual expenses.

Travelers Did Not Always Adequately Document or Obtain Required Approvals for Sponsored Travel

Official Smithsonian travel that is paid for by non-Smithsonian organizations, known as sponsored travel, is subject to additional requirements. A traveler must note any external sponsorship on the travel authorization.

Travel sponsored by for-profit or foreign governments requires written review and approval by the Office of General Counsel (OGC). Specifically, OGC must receive a memo or other written documentation from the unit justifying the travel. The approving official must sign the memo. The traveler's acceptance of sponsored travel must avoid even the appearance of a conflict of interest.

Travel sponsored by not-for-profit organizations requires documentation from the sponsor. As of June 2007, the units must also obtain a sponsor's commitment letter prior to the trip, and the travel authorization must not only reflect the external sponsorship but must also identify the funding source and any conditions, and also have the commitment letter electronically attached.

The Smithsonian did not always ensure proper documentation or approval of the payment of travel expenses by outside sponsors. We found 94 instances of sponsored travel out of the 806 trips we reviewed. Out of those 94, there were 14 exceptions (15 percent) where travelers did not have proper documentation or approval for their sponsored travel. Five of the exceptions involved travel paid for by for-profit or foreign governments where travelers did not obtain the required OGC approval. The remaining nine exceptions involved travel paid for by not-for-profit organizations where the travelers did not document the sponsorship on the travel authorization.

When we questioned unit administrative personnel about the deficiencies we found, they were not always aware of the documentation requirements for sponsored travel.

Without the required OGC review of travel sponsored by foreign governments or for-profit organizations, conflicts of interest may develop. For example, a for-profit organization may induce an employee to improperly award it contracts for government work in return for sponsored travel. Moreover, if there is no documentation of sponsored travel, there is an increased risk of duplicate payments to the traveler. In our

earlier reviews of senior management travel, our investigators found instances of travelers receiving reimbursements from both the Smithsonian and the sponsoring organization for the same trips.

RECOMMENDATION

4. We recommend that the Chief Financial Officer further publicize sponsored travel procedures and conduct regular compliance reviews to ensure compliance with those procedures.

Subordinates Approved Authorizations and Vouchers

The Smithsonian had weak procedures governing the approval of travel prior to May 2007, and as a result, subordinates were able to approve senior-level travel, which presents the potential for a conflict of interest. We found that in approximately 23 percent of the trips we sampled, subordinates had approved trip authorizations and vouchers. The Smithsonian revised its procedures in May 2007 to prohibit this practice. After May 2007, we found the number of exceptions dropped significantly. Table 3 below shows the reduction in improper authorizations and voucher approvals after May 2007. Although there was still an exception rate of approximately eight percent for voucher approvals after the Chief Financial Officer revised the procedures, these vouchers related to only a handful of travelers.

TABLE 3
Reduction in the Number of Subordinate-Approved Trips After May 2007

Authorizations	Before May 2007	After May 2007
Subordinate-approved	142	5
Total Sample	613	193
Vouchers		
Subordinate-approved	130	20
Total Sample	561	245

The September 2004 Travel Handbook allowed approving officials in the unit general authority to approve travel expenses; however, it failed to specify that subordinates should not approve their supervisors' authorizations and vouchers. The Institution did have a compensating control, post-travel spot-check compliance reviews, which if operating effectively could have mitigated the risk from the weak procedures by highlighting that subordinates were approving their supervisors' travel. However, the CFO's office stopped conducting post-travel spot-check compliance reviews in September 2004 despite the fact that they detected repeated instances of travelers not complying with other aspects of travel procedures.⁴ When we asked why these periodic compliance reviews were stopped, management explained that better travel policies were needed for the compliance reviews to be effective.

⁴ Smithsonian Enterprises did conduct three compliance reviews of travel expenses from October 2006 through December 2007.

By allowing a weak control environment to develop, Smithsonian management increased the risk of imprudent senior-level travel. Since subordinates are unlikely to challenge their supervisors, management effectively negated a key control to ensure compliance with the Smithsonian travel procedures. That, in turn, increased the risk of higher than necessary travel costs and subjected the Smithsonian to increased risk to its reputation.

Smithsonian management largely addressed this problem by strengthening its travel procedures during 2007, which increased travelers' compliance and decreased the risk of improper travel. The CFO issued a CFO Bulletin on May 16, 2007 and also revised the travel handbook in June 2007 to specifically prohibit subordinates from approving their supervisors' travel.

RECOMMENDATION

5. We recommend that the Chief Financial Officer, in coordination with the units, verify that employees who have been granted approval authority are not subordinates of the travelers.

ADDITIONAL OBSERVATIONS

Supporting Documentation and Receipts Were Missing or Incomplete

We found senior-level travelers usually submitted adequate documentation to support their claims for travel reimbursement; however, some travelers did not furnish receipts or provided incomplete receipts to support their expenses. For example, travelers did not always document the purpose of entertainment expenses.

Out of our sample of 806 trips representing \$1,193,185 in travel expenses, travelers did not provide adequate documentary support for travel and travel-related entertainment expenses for 35 trips totaling \$15,310 in travel expenses. These 35 trips represented about four percent of our total sample of trips, and the \$15,310 comprised about one percent of the total travel expenses we reviewed.

The Smithsonian's travel procedures have always required that travelers provide adequate receipts to support expenses.⁵ The most recent iteration of the travel rules (April 2008) specifies that the receipts be electronically attached to vouchers. The Internal Revenue Service has rules governing receipts which must also be followed for expense reimbursements not to be treated as income to the traveler.⁶

We found that approving officials did not always adequately review vouchers or enforce the Smithsonian's policies and procedures. One key approving official responsible for a significant number of travelers explained that under the old travel system (TMS), travelers did not always provide, and she did not always review, the supporting documents. Also, although the IRS has rules on what records are required to substantiate entertainment expenses, neither the Smithsonian travel procedures nor the Smithsonian policy for gifts, alcoholic beverages, and food, provided specific guidance on

⁵ The procedures require travelers to provide an explanation if a receipt is lost.

⁶ Under IRS rules, adequate records for entertainment expenses must include documentation of the amount, time, place, business purpose, and business relationship of the person entertained. Treasury Regulation § 1.274-5T(a)-(c).

what constitutes adequate documentation for such expenses.

Without adequate documentation, approving officials cannot validate the legitimacy of submitted expenses, or ensure compliance with Smithsonian travel procedures. Travelers could be subject to unanticipated tax consequences if the reimbursed expenses were not business-related or were not adequately documented.

Travelers Often Failed to Take Advantage of Tax-Exempt Status for Lodging

In accordance with General Services Administration regulations, Smithsonian employees on official travel are exempt from paying some state and local lodging occupancy taxes.⁷ These exemptions vary from location to location. The Smithsonian identified in its 2004 Travel Handbook a website where Smithsonian travelers could find information on which states provide exemptions from these taxes.

Smithsonian travelers were not always using the Smithsonian's tax-exempt status to minimize lodging costs. Travelers in our sample did not receive the tax exemption for 154 (or 53 percent) of the 291 eligible trips we reviewed. Assuming all lodging establishments would have accepted the tax exemption certificate, the Smithsonian may have paid \$7,576 more than it should have for these trips.

Travelers may not have understood or been aware that they could obtain tax exemptions in certain states. Our discussions with one key approving official disclosed that there was little emphasis placed on using this tax exemption. In addition, administrative staff told us that not all hotels will honor the tax exemption. We believe that travel oversight could be strengthened if travelers documented instances where hotels denied the Smithsonian's tax-exempt status.

Travelers Did Not Always Use Government Travel Cards for Travel Costs

The Smithsonian issues government travel charge cards to frequent travelers. According to the FTR and Smithsonian travel procedures, travelers must use their government travel cards while traveling on official business.

We found 134 out of 806 trips, or 17 percent, where travelers charged official expenses totaling \$86,339 but did not use their government travel cards. These charges represent 7 percent of the total dollar amount we sampled.

Notwithstanding the FTR and Smithsonian requirement, throughout the period covered by our audit, the Smithsonian's policies were less than forceful on this point. For example, the June 2007 Travel Handbook required travelers to use the government-contract Smithsonian Institution travel card, "when possible," for all authorized travel expenses.

We found that approving officials did little to enforce this rule. Without controls to ensure travelers use their government travel cards rather than their personal credit cards, travelers may use official travel for personal benefit, such as by accumulating credit card points or frequent-flyer miles.

⁷ GSA guidelines identify those states that offer this exemption to federal travelers.

Regents Generally Submitted Travel Expenses That Were Reasonable

We found the travel expense claims we sampled for the Regents were generally prudent. We did not find any trips where the Regents used first-class air or rail transportation, and they generally kept their meals and incidental expenses within reasonable amounts.

The Smithsonian had an effective process for ensuring timely payment of employee travel cards.

The Smithsonian's Office of Contracting (OCon) staff monitors travel card usage and employee payments to the credit card issuer. When OCon staff identifies delinquent travel cards, they notify both the employee and supervisor. We believe this is an effective tool to minimize the risk of delinquent travel cards. Senior-level travelers generally paid their travel card obligations in a timely manner; however, we did note two instances where senior-level travelers had not paid their cards promptly, which resulted in the card issuer revoking their cards.

SUGGESTED IMPROVEMENTS

In addition to this report's formal recommendations, we believe the Chief Financial Officer could also strengthen travel oversight by taking the following actions:

- Issue instructions to explain how travelers must comply with IRS documentation requirements for travel and related expenses, especially entertainment expenses while on travel.
- Explain how travelers should obtain applicable tax exemptions and how they should document instances where hotels deny the Smithsonian's tax exempt status.
- Emphasize the requirement that travelers use the Smithsonian-issued travel card where possible.

MANAGEMENT RESPONSE

Management's January 12, 2009 response to our draft audit report concurred with all five audit recommendations. By February 28, 2009, the Office of the Comptroller Travel Management Office will issue quarterly, Institution-wide e-mails that will remind travelers to strive to obtain lodging at or below the lodging per diem limit. The Office of the Comptroller's Financial Policies and Procedures Division will modify its travel compliance reviews to collect data on the frequency and amount of actual lodging used in Smithsonian travel by June 30, 2009. By February 28, 2009, management will revise the Smithsonian Travel Handbook to emphasize that actual lodging should only be used under certain specific circumstances, in accordance with the Federal Travel Regulation, and that written justifications must be included on the travel authorizations for such use.

Management also agreed to revise the Smithsonian Travel Handbook to expand and emphasize the procedures for identifying and documenting sponsored travel, especially when ethics clearance is required. By June 30, 2009, the Comptroller's Financial Policies and Procedures Division will ensure that its travel compliance review protocol will include the identification of improperly documented sponsored travel and provide units and travelers found to have inadequate documentation with the necessary information to ensure future compliance.

By April 30, 2009, the Travel Management Office will conduct an annual certification of approving official appropriateness. Units will verify in writing that the travel approver is at the appropriate administrative level to approve travel and will certify that the officials approving the mission-relatedness of the travel are at the appropriate administrative level and that in no case is a travel approver subordinate to traveler.

We include the full text of management's response in 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

To evaluate the Institution's travel policies and procedures, we reviewed the various versions of the Institution's statements and guidance on travel that covered the period of our audit, including Smithsonian Directive 103, Standards of Conduct; Smithsonian Directive 312; Smithsonian Travel Handbook; various CFO Bulletins issued by the CFO; e-mailed instructions from the Office of Contracting; and procedures issued by Smithsonian Enterprises.⁸ We reviewed the Federal Travel Regulation (FTR) and compared Smithsonian procedures to the FTR. We also interviewed key personnel from the Office of the Comptroller, Office of Contracting, and the Office of the Chief Information Officer, as well as management and staff from the Smithsonian units.

To identify the total population of Smithsonian senior-level and Regent travelers, we obtained the organization listings of senior-level management during our audit period, October 2005 through December 2007. We also obtained listings from the Smithsonian's Office of Chief Information Officer and Office of the Comptroller to assess the magnitude of the travel and the nature of the expenses processed through the two travel systems used during this period, Travel Manager and GovTrip. We identified 92 senior-level travelers across 19 museums, nine research centers, and the National Zoo. Their travel costs for the period totaled \$1,692,986.

We judgmentally selected 806 executive-level trips totaling \$1,193,185 from a sample of 50 executive travelers with the largest dollar amount of travel during our audit period. The sample comprised travelers who we believed represented the greatest risk due to the larger dollar amount of their trips. These trips totaled 70 percent of the total travel cost of the 92 senior-level travelers during our audit period.

Based on problems we found with travel during prior reviews and investigations, we tested the following attributes for each trip we reviewed:

- Were the traveler's reimbursements adequately supported by receipts and other documentation?
- Was the trip within per diem limits?
- Did the traveler obtain tax exemptions for lodging where applicable?
- Did the approving official properly approve authorizations and vouchers?
- Were there significant errors on the vouchers?
- Did the traveler adequately justify the purpose of the trip?
- Did the traveler seek reimbursement for improper premium travel expenses?
- Did the traveler use a personal credit card instead of a government travel card?
- Did the traveler promptly submit, and approving official promptly approve, authorizations and vouchers?
- Did the traveler document sponsored travel properly?
- Did the traveler retain an honorarium?
- Did the traveler have an employment agreement that had specific provisions regarding travel?
- Did the supervisor properly approve any leave the traveler took while on travel?

As our audit progressed, we found the executive-level trips we tested had no significant exceptions for these attributes. Therefore, we narrowed our scope to match the risk to

⁸ On January 28, 2008, The Smithsonian's Board of Regents changed the name of the Smithsonian's business unit from Smithsonian Business Ventures to Smithsonian Enterprises.

the Smithsonian and thus focused on executive travelers with the highest total travel costs. We limited the number of executive trips we reviewed to travelers whose total travel costs over the audit period exceeded \$7,500. We also excluded spouses from our review because spouses' travel had been previously examined in detail by the Office of General Counsel. We began by reviewing executive traveler's individual trips over \$500 and later raised that limit generally to \$1,000.⁹ We also reviewed any unusual trips. Given our assessment of risk and time constraints, we did not review the travel of non-senior staff in this audit.

We also assessed whether the Regents' travel was within reasonable amounts and whether they supported their claims with adequate documentation and receipts. We reviewed a judgmental sample of 22 Regents' trips from October 1, 2005 to December 31, 2007. We selected the Regent's more significant trips (those costing over \$1,000) which totaled \$35,439 and covered 73 percent of the Regents' total travel expenses during this period.

In addition, we reviewed the controls to determine if cardholders were paying their travel card obligations promptly. We interviewed Travel Management Office management and assessed both their practices as well as those of the commercial bank that issues the travel cards. We also reviewed delinquency reports to assess how the Travel Management Office minimized delinquent cardholders.

To assess whether travelers complied with travel procedures, whether key controls were operating properly, and whether Smithsonian executives and Regents were traveling for authorized purposes and for reasonable amounts, we reviewed all relevant travel documents on-line as well as hard copies at the unit offices. We also obtained relevant documentation from Smithsonian units in New York City; Cambridge, Massachusetts; and Panama City, Panama. This documentation included travel vouchers and authorizations; supporting schedules; hotel, restaurant, taxi, rental car, train, and airline receipts; employment agreements; job descriptions; performance plans; and travelers' calendars. We also extensively searched the internet to determine the legitimacy of lodging, conferences, donor visits, and other travel purposes. We estimate that, in total, we reviewed thousands of documents. Our team of five auditors conducted over seventy-five meetings and follow up contacts with the travelers' administrative staff and in some instances discussed the travel with the travelers themselves.

We conducted this performance audit in Washington, D.C., from January through October, 2008, 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.

⁹ We raised the limit to \$1,200 in the case of one traveler who had a large number of similar trips between New York City and Washington, D.C.

APPENDIX B. MANAGEMENT RESPONSE



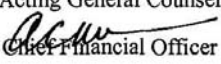
Smithsonian Institution

Chief Financial Officer

Date January 12, 2009

To A. Sprightley Ryan, Inspector General

cc Alison McNally, Acting Under Secretary for Finance and Administration
Greg Bokman, Chief Financial Officer, Smithsonian Enterprises
Marsha Shaines, Acting General Counsel

From Alice C. Maroni,  Chief Financial Officer

Subject Management Response to Draft Audit report on Travel Oversight, Number A-08-02

Thank you for the opportunity to respond to this audit report on Travel Oversight. Management shares your assessment that Smithsonian travelers largely travel within the rules and that travel administration has benefited from the improved system controls resident in the new automated travel system.

The following comments address the specific recommendations made in the report by the Office of Inspector General.

Recommendation 1:

We recommend that the Chief Financial Officer:

1. Publicize through SI-wide e-mail announcements that all travelers should strive to use per diem rather than actual expenses for lodging, except in unusual circumstances.

Response: Concur. The Office of the Comptroller (OC) Travel Management Office (TMO) will issue quarterly travel reminder emails Institution-wide which will include a reminder to strive to obtain lodging at or below the lodging limit.

Target completion date: February 28, 2009

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APPENDIX B. MANAGEMENT RESPONSE (CONTINUED)

Recommendation 2:

We recommend that the Chief Financial Officer:

2. Expand the Office of the Comptroller's post-travel compliance reviews to include an analysis of how often, and by what amount, travelers exceed lodging per diem rates.

Response: Concur. The Office of the Comptroller's Financial Policies and Procedures Division (FPPD) will modify its travel compliance reviews to collect data on the frequency and amount of actual lodging used in Smithsonian travel.

Target completion date: June 30, 2009

Recommendation 3:

We recommend that the Chief Financial Officer:

3. Revise existing procedures to define more precisely what circumstances constitute adequate justification for actual expenses.

Response: Concur. The SI Travel Handbook will be revised to emphasize that actual lodging should only be used under certain specific circumstances, in accordance with the Federal Travel Regulation, and will specify that written justification on the travel authorization is required for such use.

Target completion date: February 28, 2009

Recommendation 4:

4. We recommend that the Chief Financial Officer further publicize sponsored travel procedures and conduct regular compliance reviews to ensure compliance with those procedures.

Response: Concur. The SI Travel Handbook will be revised to expand and emphasize the procedures for identifying and documenting sponsored travel, especially when ethics clearance is required. FPPD will ensure that its normal travel compliance review protocol will include the identification of improperly documented sponsored travel and provide units and travelers found to have inadequate documentation with the necessary information to ensure future compliance.

Target completion date: June 30, 2009

APPENDIX B. MANAGEMENT RESPONSE (CONTINUED)

Recommendation 5:

5. We recommend that the Chief Financial Officer, in coordination with the units, verify that employees who have been granted approval authority are not subordinates of the travelers.

Response: Concur. The Travel Management Office will conduct an annual certification of approving official appropriateness. Units will be asked to verify in writing that the travel approver (whose signature either appears electronically on the authorization and voucher or has been uploaded as documentation into the travel record by an individual authorized to apply the "approval stamp") is at the appropriate administrative level to approve travel. The TMO will forward a list of approving officials to whom travel records are routed for each unit for their review. Units will indicate whether the electronic approvers on the list are the actual approvers of the mission-relatedness of the travel or will identify a different official that approves using pen and ink signature. In all cases the units will certify that the officials approving the mission-relatedness of the travel are at the appropriate administrative level to approve travel and that, in no case, is a travel approver subordinate to a traveler.

Target completion date: April 30, 2009

APPENDIX C. CONTRIBUTORS TO REPORT

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