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REPORT ON AUDIT
OF
THE WOODROW WILSON INTERNATIONAL
CENTER FOR SCHOLARS

BY THE
OFFICE OF AUDITS
OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION
SMITHSONIAN INSTITUTION
FEBRUARY 1977

UNITED STATES GOVERNMENT

Memorandum

TO : James H. Billington
Director, WWICS

FROM : *Chris S. Peratino*
Chris S. Peratino
Director, Office of Audits

SUBJECT: Report on Audit of the Woodrow Wilson
International Center for Scholars

DATE: FEB 15 1977

Our review disclosed that the Woodrow Wilson International Center for Scholars (Center) is accomplishing its mission effectively. We noted, however, that they could accomplish their mission more efficiently by improving certain procedures and controls.

We found that improvements were needed in the administration of the Federal fellowship grant program.

Center officials and the Smithsonian General Counsel concurred in the recommendations made to them and advised us of corrective actions that have been or will be taken on the matters discussed in this report. These actions, if properly implemented, should correct the weaknesses noted during our review.

We wish to express our appreciation for the courtesies extended to us by Center officials contacted during the audit.

cc: Mr. Ripley
Mr. Jameson
Mr. Powers



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REPORT ON
AUDIT OF THE WOODROW WILSON INTERNATIONAL
CENTER FOR SCHOLARS

The Office of Audits, Office of the Assistant Secretary for Administration, Smithsonian Institution, has made an audit of the Woodrow Wilson International Center for Scholars (Center). The audit was made under the authority delegated in Smithsonian Office Memorandum 752, dated January 26, 1971, as amended, and in accordance with Section 7 of the Woodrow Wilson Memorial Act of 1968 (Public Law 90-637).

PURPOSE AND SCOPE OF AUDIT

The purpose of the audit was to determine if the Center was being managed in an efficient and effective manner, and if actions taken were in accordance with applicable laws, regulations, and Center policies.

We reviewed Federal laws and regulations, Congressional Hearings, Center policies, and pertinent correspondence. We held discussions with Center and Smithsonian officials to ascertain their responsibilities and the nature and scope of activities performed. We reviewed administrative practices and procedures, and examined transactions, operating statements, and records to the extent deemed necessary.

The audit was conducted primarily at the Center. The Smithsonian offices of the Treasurer, the General Counsel, the Director of Support Activities, the Assistant Secretary for Public Service, the Assistant Secretary for Museum Programs, and the Smithsonian Research Foundation (SRF) were included in the audit to the extent deemed necessary to review the completeness and accuracy of transactions selected for examination and to accomplish the objectives of our audit.

SUMMARY OF RECOMMENDATIONS

Based on our review, we determined that the Center is accomplishing its mission effectively. However, we found that if certain policies, procedures, and controls were improved, the Center could accomplish its mission more efficiently.

In response to our tentative findings, Center and Smithsonian officials concurred in all three of our recommendations. Adequate corrective action has been taken on these recommendations. Our recommendations follow.

Adequate Corrective Action Completed

For the Director of the Center

Meet with the Smithsonian Treasurer to determine the manner in which the fiscal year 1977 fellowship grant program will be administered. (Page 6)

For the Assistant Director for Administration of the Center

Notify the Director, SRF, of the grant letter awards pertaining to fiscal years 1975 and 1976, and request that disbursements against these awards be properly accounted for as soon as possible. (Page 6)

For the Smithsonian General Counsel

Review the Center's fellowship grant program and advise the Director of the Center on the appropriate actions required to improve the funding of the grant letter awards. (Page 5)

GENERAL COMMENTS

The Woodrow Wilson Memorial Act of 1968 established the Center as a living memorial to Woodrow Wilson. The Center was organized to "symbolize and strengthen the fruitful relation between the world of learning and the world of public affairs." Finding and supporting gifted individuals to conduct advanced research on subjects of fundamental importance is the primary concern of the Center.

The Act placed the Center within the Smithsonian under independent administration of a Board of Trustees (Board) appointed by the President. A Director is appointed by the Board to manage the Center.

About 40 grants are awarded each year to fellows from the United States and other countries to work on major projects at the Center for uninterrupted periods ranging from four months to two years. The fellowship program is organized into four broadly defined academic divisions: Social and Political Studies; Historical and Cultural Studies; Studies of Resources, Environment, and Interdependence; and Advanced Russian Studies.

In support of Center scholars, the Center maintains a library, and employs local graduate students on a part-time basis as research assistants to the fellows.

Under a public service program, the Center sponsors dialogues between scholars and persons in public affairs in the United States and elsewhere. Also included under this program is the Center's publication program. The first issue of the Wilson Quarterly journal was published in October 1976. Other publications include inventories of research being accomplished worldwide.

As of December 18, 1976, the Center employed 24 Federal and 18 non-Federal personnel.

The Center receives both direct Federal S&E, Federal contracts and grants, and non-Federal funds. During fiscal year 1976, the Center, in addition to Federal S&E, made expenditures from six private foundation grants, four gift funds, three Federal grants, two Federal contracts, and one unrestricted special purpose fund. Center funding for fiscal year 1976 follows:

Fiscal Year 1976 Funding (In Thousands of Dollars)

	<u>Available For Expenditure</u>	<u>Expended</u>	<u>Available Balance June 30, 1976</u>
Federal S&E	\$ 975.0	\$ 892.1	\$ 82.9
Non-Federal and Federal Grants and Contracts	<u>1,112.8^{1/}</u>	<u>581.3</u>	<u>531.5</u>
	<u>\$2,087.8</u>	<u>\$1,473.4</u>	<u>\$614.4</u>

^{1/} Includes funds carried forward from fiscal year 1975 and funds received during fiscal year 1976.

A summary of fiscal year 1976 expenditures by object class follows:

Fiscal Year 1976 Expenditures (In Thousands of Dollars)

<u>Object Class</u>	<u>Amount</u>
Personnel Costs	\$ 605.9
Grants to Individuals	423.4
Contractual Services	197.1
Non-Federal Overhead	54.2
Rent, Communications, Utilities	49.4
Printing	47.7
Supplies	45.9
Travel and Transportation	36.2
Equipment	<u>13.6</u>
Total	<u>\$1,473.4</u>

FINDING AND RECOMMENDATIONS

ADMINISTRATION OF FELLOWSHIP GRANT PROGRAM

The Center needs to improve the manner in which the Federal fellowship grant program is being administered.

From fiscal year 1971, through fiscal year 1976, the Center, by contract, has annually awarded Federal funds to the Smithsonian Research Foundation (SRF) to be used in support of individual grants to fellows. Each contract further provided for a negotiated fixed amount of about \$36,000 for SRF to administer the funds.

Our review disclosed, however, that even though the Center contracted with SRF to fund and administer their Federal fellowship grants, SRF was not assigned the responsibility to effectively carry out the provisions of the contracts.

We found that the primary services provided to the Center by SRF under the contracts were the disbursements of funds to the fellows, and the accounting for the disbursements. The Center retained the responsibility for the entire

selection process of the fellows and the issuance of grant letter awards to the fellows.

The disbursement services performed annually by SRF for the Center consisted of approximately 250 transactions and were performed adequately. However, SRF's accounting for the disbursements needed improvement.

Our review disclosed that SRF's accounting was not current or properly segregated by fiscal year. The need for a current and accurate accounting by fiscal year became critical to the Center in fiscal year 1975 when Congress changed their appropriation from no-year to one-year funding. The primary reason for the improper segregation by fiscal year was that the Center was not identifying grant letter awards by fiscal year so that SRF could account for disbursements in the appropriate fiscal year.

We believe that the Smithsonian General Counsel should review the Center's fellowship grant program and advise the Director of the Center of the actions required to improve the funding of the grant letter awards. We also believe that the Assistant Director for Administration, Center, should review the grant letters awarded in fiscal years 1975 and 1976, and advise SRF of the awards pertaining to each fiscal year.

In addition to paying SRF approximately \$36,000 annually to administer the fellowship grants, the Center also paid the Smithsonian Institution \$30,000 annually for support services, including accounting services. Since accounting and disbursement services are available to the Center from the Smithsonian Accounting Division, and since this Division, in fiscal year 1976, assumed the responsibility for all SRF accountings and disbursements, we believe that the Director of the Center should consult with the Smithsonian Treasurer about the administration of the fiscal year 1977 fellowship grant program.

Recommendations

We recommended that:

1. The Smithsonian General Counsel review the Center's fellowship grant program and advise the Director of the Center on the appropriate actions required to improve the funding of the grant letter awards.

The General Counsel concurred in our recommendation and by memorandum, dated December 20, 1976, advised us that (1) as long as the Center continues to utilize SRF, the grant award letters must be sent by SRF, and (2) due to the one-year funding limitations of the Federal appropriation process, any future grant award letter for a fellowship that is contingent in whole or in part upon a subsequent year's appropriation will contain a sentence specifically stating that the grant award letter is not an obligation of funds. We believe these actions are responsive to our recommendations.

2. The Assistant Director for Administration, Center, notify the Director, SRF, of the grant letter awards pertaining to fiscal years 1975 and 1976, and request that disbursements against these awards be properly accounted for as soon as possible.

The Assistant Director for Administration, Center, concurred in our recommendation and sent us a copy of his memorandum to the Treasurer, SRF, dated November 8, 1976, listing the adjustments to be made by SRF to disbursements for fiscal years 1975 and 1976. We reviewed this memorandum and believe it is responsive to our recommendation.

3. The Director of the Center meet with the Smithsonian Treasurer to determine the manner in which the fiscal year 1977 fellowship grant program will be administered.

The Assistant Director for Administration, Center, concurred in our recommendation and in a memorandum, dated December 7, 1976, advised us that the Center's staff had contacted the Treasurer's office to discuss the manner in which the fellowship program will be administered in fiscal year 1977. We believe this action is responsive to our recommendation.

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