

PART 3

FINANCIAL SECTION

A Message from the Chief Financial Officer



I am pleased to present the National Archives and Records Administration's (NARA) financial statements for Fiscal Year 2006.

FY 2006 was a landmark year for financial management at the National Archives. In its third year of producing CFO Act financial statements, NARA achieved an unqualified audit opinion, attesting to the fact that our financial statements are presented fairly.

We are pleased that the auditor's report presents both our progress and our remaining challenges. NARA continued to make significant improvements in financial management in FY 2006. We further refined the processes of data gathering for the financial statements, addressed internal controls weaknesses identified in last year's audits, and converted to a new financial services provider.

While the conversion process itself presented a challenge during FY 2006, the major benefits are the resultant compliance with the United States Standard General Ledger (USSGL) and elimination of the corresponding deficiency in financial reporting. More importantly, with the conversion to a new financial system at the inception of FY 2006, NARA gained significant improvements in quality and accuracy of financial data for external financial reporting, as well as for internal management analysis purposes.

With that accomplished, NARA can now focus on further improvements and refinements in our financial management processes that are on a longer timeframe. Some of these, such as improved management and accounting for property, plant, and equipment, require culture changes as appropriate management processes are developed and implemented across the NARA organization.

We are very proud of all NARA staff for the significant achievement of the unqualified opinion on our financial statements. We extend our appreciation to our new financial services provider for their efforts and cooperation in reaching this major milestone.

In closing, while challenges remain, I believe NARA has demonstrated its commitment to improving financial management and its ability to produce accurate and reliable financial statements. NARA will continue its efforts to further improve its financial management and internal controls.

A handwritten signature in black ink that reads "Adrienne C. Thomas". The signature is written in a cursive, flowing style.

Adrienne C. Thomas
Assistant Archivist for Administration and
Chief Financial Officer

Auditor's Reports (FY 2006)

Inspector General's Summary

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
ANNUAL FINANCIAL STATEMENT
FISCAL YEAR 2006

OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the National Archives and Records Administration (NARA) for the fiscal years ended September 30, 2006 and 2005. We contracted with the independent certified public accounting firm of Clifton Gunderson, LLP (CG) to perform the audit. The audit was done in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB's Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, and the GAO/PCIE *Financial Audit Manual*.

Last year CG reported that NARA did not record obligations and outlays for the activities in its non-federal investments for sale prior to their conversion to mutual funds in September 2005. As a result, CG was not able to apply adequate audit procedures to satisfy themselves with the obligations and outlays in the combined statement of budgetary resources and consolidated statement of financing for the fiscal year ended September 30, 2005.

In its audit of NARA's financial statements, CG's opinion states that the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2006 and 2005, and its net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary obligations for the years then ended except for the effects of such adjustments, if any, to the fiscal year 2005 financial statements referred to in the preceding paragraph, as might have been necessary had CG been able to perform adequate audit procedures on obligations and outlays related to investments. Basically, NARA received an unqualified opinion of the FY 2006 financial statements and a qualified opinion on the FY 2005 financial statements.

CG reported a material weakness¹ in Information Technology and two reportable conditions². The reportable conditions relate to obligations and payroll controls. CG disclosed no instances of noncompliance with certain provisions of laws and regulations.

In connection with the contract, we reviewed CG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, as we do not express, an opinion on NARA's financial statements or conclusions about the effectiveness of internal control; or conclusions with laws and regulations. CG is responsible for the attached auditor's report dated November 7, 2006 and the conclusions expressed in the report. However, our review disclosed no instances where CG did not comply, in all material respects, with generally accepted government auditing standards.

¹Material weakness are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

²Reportable conditions are significant deficiencies in the design or operation of internal control that could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Independent Auditor's Report (FY 2006)

COUNT ON INSIGHT®



Independent Auditor's Report

To the Inspector General of the
National Archives and Records Administration

We have audited the consolidated balance sheets of National Archives and Records Administration (NARA) as of September 30, 2006 (fiscal year 2006) and 2005 (fiscal year 2005), and the related consolidated statements of net cost, changes in net position, financing, and combined statement of budgetary resources for the years then ended (hereinafter collectively referred to as the "financial statements"). These financial statements are the responsibility of NARA's management. Our responsibility is to express an opinion on these financial statements based on our audits

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe our audits provide a reasonable basis for our opinion.

In fiscal year 2005, NARA did not record obligations and outlays for the activities in its non-federal investments for sale prior to their conversion to mutual funds in September 2005. As a result, we were not able to apply adequate auditing procedures to satisfy ourselves with the obligations and outlays in the combined statement of budgetary resources and consolidated statement of financing for the fiscal year ended September 30, 2005.

In our opinion, except for the effects of such adjustments, if any, to the fiscal year 2005 financial statements referred to in the preceding paragraph, as might have been necessary had we been able to perform adequate audit procedures on obligations and outlays related to investments, the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2006 and 2005, and its net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary obligations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our reports dated November 7, 2006 on our consideration of NARA's internal control over financial reporting, and on our tests of NARA's compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Discussion and Analysis, required supplementary stewardship information, supplementary information, and other accompanying information contain a wide range of data, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with the NARA officials. Based on this limited work, we found no material inconsistencies with the financial statements or nonconformance with OMB guidance.

Clifton Henderson LLP

Calverton, Maryland
November 7, 2006



Independent Auditor's Report on Compliance and Other Matters

To the Inspector General of the
National Archives and Records Administration

We have audited the financial statements of the National Archives and Records Administration (NARA) as of and for the year ended September 30, 2006, and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

The management of NARA is responsible for complying with laws and regulations applicable to NARA. As part of obtaining reasonable assurance about whether NARA's financial statements are free of material misstatements, we performed tests of NARA's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 06-03. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to NARA.

The results of our tests of compliance disclosed no instances of noncompliance with the laws and regulations discussed in the preceding paragraph or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 06-03.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of NARA, NARA Office of Inspector General, Government Accountability Office, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
November 7, 2006

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Independent Auditor's Report on Internal Control

To the Inspector General of the
National Archives and Records Administration

We have audited the financial statements of the National Archives and Records Administration (NARA) as of and for the year ended September 30, 2006, and have issued our report dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered NARA's internal control over financial reporting by obtaining an understanding of NARA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act (FMFIA) (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted matters discussed below involving the internal control and its operation that we consider to be a material weakness or reportable conditions.

In addition, we considered NARA's internal control over Required Supplementary Stewardship Information by obtaining an understanding of NARA's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls required by OMB Bulletin No. 06-03 and not to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

Finally, with respect to internal control related to performance measures reported in NARA's Performance and Accountability Report as of September 30, 2006, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 06-03. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

MATERIAL WEAKNESS

I. Information Technology (IT)

A. Access Controls

In NARA's highly computerized and interconnected environment, effective access control security is dependent on consistently evaluating and controlling the level of access granted to each system user. Access controls should limit and monitor access to computer resources (i.e., data files, application programs, and computer-related facilities and equipment) to the extent necessary to provide reasonable assurance that these resources are protected against waste, loss, unauthorized modification, disclosure, or misappropriation. Access controls include logical controls, such as security software programs designed to prevent or detect unauthorized access to sensitive files.

Our testing identified weaknesses in NARA's information systems environment. These vulnerabilities expose NARA and its computer systems to risks of intrusion, subject sensitive NARA information related to its major applications to potential unauthorized access, modification, and/or disclosure, and increase the risks of fraud, waste and abuse.

Our testing has also indicated that physical and logical access controls are not effective to ensure that only authorized users have access to systems, and access to sensitive areas is restricted to only those with a business purpose. To illustrate:

Physical Access Controls

- a. The remote Virtual Private Network (VPN) user accounts indicate NARA does not routinely review VPN access rights to ensure that employees and contractors have an authorized business purpose to use the VPN. Although NARA performs a detective control by routinely reviewing VPN activity, we feel NARA needs to implement a preventive control since NARA has weak contractor access revoking procedures. Our review of NARA's contractor out-processing procedures indicates that separation records (or exit clearance forms) are not required for NARA contractors at the end of their contract. **(New Condition)**
- b. There are four former contractors designated by NARA as still being authorized to release or receive media from NARA's offsite storage facility. We validated that access permissions for the four contractors were removed after we brought up the exceptions to NARA management. **(New Condition)**
- c. The physical access to the computer room could be more tightly controlled. We initially identified twenty-one individuals with access to the Archives II computer room (Room 4330) which is no longer needed. A subsequent review determined that ten of these individuals still had access to this sensitive area. **(Modified Repeat Condition)**
- d. NARA does not have written procedures or policies requiring computer room users to complete the "Computer Room (4300) Access Authorization" form and obtain necessary approvals prior to obtaining access to the computer room. **(Modified Repeat Condition)**
- e. The "Computer Room (4300) Access Authorization" forms were unavailable for thirty seven individuals (82% of our sample). Thus, we were unable to confirm whether 82% of our sampled individuals have computer room access that is approved and required. **(Modified Repeat Condition)**

Logical Access Controls

- f. The Novell and GroupWise user accounts indicated that inactive network accounts are not being disabled in a timely manner. We noted the following: **(New Condition)**
 - Eighty-two active accounts have not accessed the system for more than 90 days.
 - Thirty-one active accounts have never accessed the system.
 - Several accounts prevent individual accountability for certain user ids.
- g. For a sample of thirty-eight NARANet system administrators [including field office system administrators (FOSA)], NARA was unable to provide us with new user access request forms, documenting the user's initial access request, or

Remedy Tickets to show that the user's access was authorized and approved. Additionally, NARA was unable to provide us any documentation to show that system administrator access rights were periodically recertified. **(New Condition)**

- h. The Records Center Processing Billing System (RCPBS) password parameters to limit logon attempts is not configured in accordance with parameters defined within the NARA IT Security handbook, which require no more than five invalid logon attempts before accounts are locked out. Thus, unlimited access attempts could be made to guess RCPBS user passwords without an automated limitation. **(Repeat Condition)**

Recommendations:

1. Develop and utilize a script or command line command to identify inactive network accounts that have been inactive for more than 90 days and disable them.
2. Institute a process for recertifying network accounts (including system administrators) and remote user access (which are not covered during an application user re-certification process).
3. User IDs (other than system ID) not associated with an individual or not designated for testing purposes should be deleted.
4. Develop a contractor exit checklist that will require formal sign-offs by functional managers. Additionally, the functional managers should indicate that the contractor's access be removed.
5. Regularly recertify all physical access to sensitive NARA facilities, and review agreements where contractors may act as an agent on behalf of NARA with third parties (e.g. Iron Mountain, etc.). Documented evidence of these re-certifications should be maintained for future reference.
6. Enable account lockouts for the RCPBS application in accordance with NARA IT policies.

B. Entity-Wide Security Program

Effective information security management is critical to NARA's ability to ensure the reliability, availability, and confidentiality of its information assets, and thus its ability to perform its mission. If effective information security practices are not in place, NARA's data and systems are at risk of inadvertent or deliberate misuse, fraud, improper disclosure, or destruction—possibly without detection.

The Government Accountability Office (GAO) research of public and private sector organizations recognized as having strong information security programs shows that

their programs include (1) establishing a central focal point with appropriate resources, (2) continually assessing business risks, (3) implementing and maintaining policies and controls, (4) promoting awareness, and (5) monitoring and evaluating policy and control effectiveness. [U.S. Government Accountability Office, *Executive Guide: Information Security Management, Learning From Leading Organizations*, GAO/AIMD-98-68 (Washington, D.C.: May 1998), and *Information Security Risk Assessment: Practices of Leading Organizations, A Supplement to GAO's May 1998 Executive Guide on Information Security Management*, GAO/AIMD-00-33 (Washington, D.C.: November 1999)].

NARA has taken important steps to establish an effective information security program, but some weaknesses still exist. We noted weaknesses in the implementation of the program and instances of noncompliance with Federal regulations (i.e., OMB Circular A-130 and NIST Publications), as well as other IT directives, policies, procedures, and templates.

Weaknesses that currently exist in NARA's information security program include the following:

- a. The NARANet general support system has not been certified and accredited within the last three years, and supporting documents (e.g. security plan and risk assessment) have not been updated to reflect major changes to its operating environment (specifically the Novell Netware upgrade). **(New Condition)**
- b. Employee Clearance Records documentation was not available for 76% of our sample indicating removal of logical and physical access privileges. **(Repeat Condition)**
- c. Employee background investigations were not initiated or performed on four individuals in accordance with OMB and NARA policies. **(New Condition)**

Recommendations:

7. Maintain employee clearance records (Form 3009) for every separating employee.
8. Require supervisors of departing employees to ensure the Form 3009 is completed no later than an employee's last day of work.
9. Perform a risk assessment of the NARANet environment to identify risks posed by the upgrade on the NARANet system environment and controls.
10. Update the NARANet System Security plan to reflect the current status of the system.
11. Develop a Plan of Actions and Milestones to address the risks identified within the updated NARANet risk assessment.

12. Officially re-authorize the NARANet general support system to continue processing.
13. Background investigations should be immediately conducted on the four noted individuals.
14. NARA should be conducting background investigations on new hires prior to accessing NARA systems, and implement a process to independently validate on an annual basis that such investigations are being performed in a timely manner.

C. System Software

Establishing controls over the modification of application software programs helps to ensure that only authorized programs and authorized modifications are implemented. This is accomplished by instituting policies, procedures, and techniques that help make sure all programs and program modifications are properly authorized, tested, and approved and that access to and distribution of programs is carefully controlled. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or "turned off", or that processing irregularities or malicious code could be introduced. System software controls should limit and monitor access to powerful programs and sensitive files that control computer processing and secure the application and data supported by the system.

Weaknesses that currently exist in the NARA's system software controls include the following:

- a. NARA does not have documented patch management procedures of existing practices in place which cover the identification, selection, testing and installation of Novell system software on the NARANet. **(New Condition)**
- b. The following are medium and high risk firewall configuration weaknesses (identified within an internal firewall assessment in March 2006) that have not been corrected during the fiscal year: **(New Condition)**
 - Obsolete firewall rules exist and firewall administrators do not keep a record of firewall rules other than that which is available in Change Control Board (CCB) records and the firewall configuration itself as mandated by NARA Directive 804 – Supplement Number 1 NARA Boundary Protection, Section Sup 001.05i.
 - There is abundance of allowed Hyper Text Transfer Protocol (HTTP) and Secure Shell (SSH) connections for management, including connections allowed from obsolete addresses.
 - Only some firewall rules have remarks associated with them. Lack of remarks makes analysis of the configuration file very difficult. Additional remarks need to be added to enhance the readability of the configuration file.
 - Not all publicly available services are located in the demilitarized zone (DMZ) and Domain Naming Service (DNS) is not currently deployed in

accordance with the guidelines in NARA Directive 804 – Supplement Number 1 NARA Boundary Protection.

Recommendations:

15. Document and implement patch management procedures for all Novell systems.
16. Implement the milestones and target dates identified in the Plan of Actions and Milestones (POA&M) to address the four open firewall weaknesses identified.

D. Contingency Plan

Losing the capability to process, and protect information maintained on NARA's computer systems can significantly impact NARA's ability to accomplish its mission to serve the public. The purpose of service continuity controls is to ensure that, when unexpected events occur, critical operations continue without significant interruption or are promptly resumed.

To achieve this objective, NARA should have procedures in place to protect information resources and minimize the risk of unplanned interruptions and a plan to recover critical operations should interruptions occur. These plans should consider activities performed at NARA's general support facilities (e.g. NARA's LAN, WAN, and telecommunications facilities), as well as the activities performed by users of specific applications. To determine whether the disaster recovery plans will work as intended, NARA should establish and periodically test the capability to perform its functions in disaster simulation exercises. NARA should develop and structure disaster recovery plans and continuity of operation plans in accordance with Federal Emergency Management Agency (FEMA) Federal Preparedness Circular No. 65, Presidential Decision Directive 67 "Enduring Constitutional Government and Continuity of Operations", and National Institute of Science and Technology (NIST) SP 800-34 "Contingency Planning Guide for Information Technology Systems".

Our review of NARA's service continuity controls identified deficiencies that could affect NARA's ability to respond to a disruption in business operations as a result of a disaster or other long-term emergency. The deficiencies were as follows:

- a. The NARA Headquarters Continuity of Operations Plan (COOP) does not identify mission-critical systems and related vital files, records and databases necessary to restore essential functions. Testing of the COOP cannot be adequately performed without identification of vital records and databases. Additionally, the COOP discusses obtaining access to Pegasus and Financial Management Information System (FMIS), which are no longer utilized by NARA. **(New Condition)**
- b. Our review also determined that the NARANet and Information Services NH disaster recovery plans: **(New Condition)**

- Do not identify an offsite storage location for recovery of data and programs.
- Do not describe procedures to recover Novell Groupwise.
- Is not updated to reflect current Novell Groupwise versions.

Recommendations:

17. Revise the COOP to reflect systems/applications that are currently in use, and specifically identify mission critical applications and related vital files, records and databases necessary to restore essential functions.
18. Revise the NARANet and NH disaster recovery plans to reflect the current Novell Groupwise environment, describe procedures to recover Novell Groupwise and identify the storage location of backup tapes (identified as an essential material, data, record or communication).

REPORTABLE CONDITIONS

II. Review of Obligations (Modified Repeat Finding)

NARA Interim Guidance 400-6 states that “Each quarter the NABF sends a NARA action notice to office heads that includes a list of open items. Each office must review the individual items, annotate what actions need to be taken or if no action is required, and respond by the due date”

Our test disclosed that not all open obligations on the lists sent to office heads showed evidence of review. Timely review and recording of adjustments resulting from the review help maintain the relevance and value of the transactions to management in controlling operations and making decisions.

Recommendation:

19. Consistently implement the NARA Interim Guidance 400-6.

III. Strengthen Payroll Controls (Repeat Finding)

Internal control over the maintenance of supporting documentation, validation and authorization of payroll related transactions need to be strengthened. Our test disclosed:

- Supervisor Time and Attendance Certification Reports were not available for review for certain employees selected for testing.
- Time and Attendance Logs did not consistently include the proper validating signatures.

GAO *Standards for Internal Control in the Federal Government* states that transactions and other significant events should be authorized and executed only by persons acting

within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use or commit resources and other events are initiated or entered into.

Recommendations:

20. Ensure that documentation supporting payroll transactions is properly maintained and readily available for examination.
21. Enforce the policy of signing and dating the Supervisor Time and Attendance Certification Report.

IV. Status of Prior Year Findings and Recommendations

As required by Government Auditing Standards and OMB Bulletin No. 06-03, we have reviewed the status of NARA's corrective actions with respect to the findings and recommendations from the previous year's report on internal controls. We have attached Appendix A to our report that presents the status of prior year findings and recommendations.

V. Other Matter

OMB Bulletin No. 06-03 requires that the auditor's report on internal control "identify those material weaknesses disclosed by the audit that were not reported in the reporting entity's Federal Manager's Financial Integrity Act (FMFIA) report." Although NARA has identified "inconsistent levels of documentation within the IT program" as a reportable condition, the material weaknesses relating to the IT control environment were not disclosed in the FMFIA report. We do not believe, however, that failure to report these material weaknesses in FMFIA constitutes a separate reportable condition or a material weakness because different criteria are used in determining material weaknesses for both reports.

NARA Management Response and Our Comments

NARA management has responded to our report and the full response is included in this report. NARA management took exception to the characterization of our findings as a material weakness but recognized that the deficiencies in general controls must be corrected and they will take action to correct them as soon as possible.

We have carefully reviewed NARA management's response, however we have not changed our conclusion that general controls weaknesses existed in logical and physical access controls, entity-wide security program, system software and service continuity. Further, we continue to conclude that these weaknesses evaluated collectively is a material weakness.

In addition to the material weakness and reportable conditions described above, we noted certain matters involving internal control and its operation that we reported to the management of NARA in a separate letter dated November 7, 2006.

This report is intended solely for the information and use of the management of NARA, NARA Office of Inspector General, Government Accountability Office, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
November 7, 2006

APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2006

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
Material Weakness			
1	NARA did not record obligation and outlay for the activities in its non-federal investments held for sale.	Continue to pursue with U.S. Treasury USSGL group the SGL transactions and accounting scenarios for accounting for investments in non-federal securities specifically in mutual funds.	Closed
Reportable Conditions			
2 and 3	Changes made to the RCPBS application did not contain system owner approvals or documentation indicating testing and test plans were performed.	1. Obtain proper approvals before moving RCPBS application changes into the Production environment. 2. Document test plans and test results for all RCPBS application changes.	Closed
4	Employee Clearance Records documentation was not available indicating removal of access privileges to IT system resource accounts.	Maintain documentation of Employee Clearance Records for all departing employees, with clear identification of which system/application access has been removed.	Open
5	Plans of Actions and Milestones (POA&Ms) are not structured in compliance with OMB instructions.	Revise POA&Ms to include all required components as dictated per OMB M-04-25 instructions.	Closed
6	Documented approvals of user access to the RCPBS/PRISM application were not available.	Ensure all current and future RCPBS and PRISM application users have documentation indicating approved access by their supervisor and system owner.	Closed
7	Password parameters to limit logon attempts to the RCPBS/PRISM application are not configured in accordance with NARA IT policies.	Review password configurations of all NARA maintained (i.e. RCPBS and PRISM) applications and applications outsourced to the Bureau of Public Debt (BPD) to ensure passwords are implemented in accordance with specifications for password usage established by NIST in Federal Information Processing Standards Publication 112, PASSWORD USAGE, and NARA's IT Security Handbook.	Open

**APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2006**

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
8	A user recertification process was either not in place or documented RCPBS, PRISM and FMIS applications to ensure user access is still appropriate.	Enforce Directive 804 and ensure that user access to all NARA (i.e. PRISM and RCPBS) and Bureau of Public Debt (BPD) hosted applications are re-certified on a regular basis in a joint effort by NH and system owners.	Closed
9	An excessive number (209) of individuals have access to the computer room; many who do not need access to perform their daily job responsibilities.	Review all individuals with access to the computer room, determine if access is needed to perform their job responsibilities, and remove any access not required on either a frequent or emergency basis.	Open
10	User access to Disposition Authority (DAU) master files is not being properly restricted.	Modify NARS5 user permissions to restrict access to the DAU file to only those individuals who require this access in order to perform their position responsibilities.	Closed
11	No audit trail is in place to associate NARS5 or PRISM application user activity to their actions. Additionally, unauthorized user access attempts are not being tracked for follow up.	Incorporate logging (of user activity and failed logon attempts) functionality within the NARS5 and PRISM applications to the extent configurable within the application. Implement a process to review these logs on a regular basis. Also, incorporate such logging and audit trails in the functional requirements/design/configuration of any replacement systems (i.e. hosted by NARA or the BPD).	Closed
12	NARA is not maintaining an up to date listing of its staff accessing externally hosted applications (i.e. Financial Management Information Systems (FMIS)) and associated system permissions.	Ensure all NARA point of contacts (POCs) for outsourced applications maintain an up-to-date documented listing of all NARA user names and permissions.	Closed

APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2006

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
13	Validation edits are not in place to ensure daily batch transaction data transferred from the NARSS application to the RCPBS application are received completely and accurately.	Implement manual or automated validation edits to ensure daily batch transaction data transferred from the NARSS application to the RCPBS application are received completely and accurately.	Closed
14	The Continuity of Operations Plan (COOP) for NARA captures some but not all essential business functions for locations.	NARA should update the agency COOP plan to reflect all business functions at each NARA location.	Closed
15	The General Ledger (GL) System setup and posting model definitions do not fully comply with the transactions postings model consistent with the United States Standard General Ledger (USSGL) guidance and policies when recording budget-related entries.	Ensure that the GL system setup and posting model definitions of the new service provider is in compliance with USSGL.	Closed
16	For reporting purposes, the timing of the review of obligations is such that it prevents NARA from having its interim quarterly reports adjusted for obligations that are no longer valid. Moreover, there was no evidence that this control was consistently implemented in fiscal year 2005.	Develop a timetable that will permit the periodic timely review of obligations to meet the timelines established for external reporting in OMB Bulletin A-136, <i>Financial Reporting Requirements</i> .	Partially Closed. NARA adjusted its reporting timelines to enable them to review obligations to meet reporting deadlines. However, our test disclosed evidence that the review control was not consistently implemented in fiscal year 2006.

**APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2006**

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
17	NARA does not have an integrated financial management system. Significant financial management systems such as billings and related sub-systems, the cost system, the property management system and the financial reporting system are not interfaced with the GL system.	Continue to evaluate the functional requirements to integrate the financial reporting, billing systems, property and equipment and a cost system with the GL system and assess the degree of integration necessary to have a single, unified financial management system.	Open. However, we moved this finding to a management letter comment.
18	NARA continues to develop its policies and procedures for software in development and completed software.	Finalize the policies on procedures for software in development and completed software.	Closed
19	Cost associated with the internally developed software were not maintained in cost center designed to track the software development phases and processes to ensure compliance with the federal accounting capitalization standard.	Track costs and maintain documentation related to the various software development phases to ensure compliance with federal accounting capitalization standard.	Closed
20	We found six of ten completed software examined that did not have certification in-service date evidencing the acceptance of the software in development as completed and the start of the depreciation calculation.	Create a certification in-service documentation related to evidence acceptance of the software by its owner and maintain the document as support for depreciation start date.	Closed
21	Documentation supporting certain deductions is not maintained in employees' personnel files.	Ensure that NARA's service provider(s) are in compliance with NARA's policy of maintaining appropriate supporting records for payroll deductions authorized by the employees and have them readily available for examination.	Closed

APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2006

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
22	Credit time earned or used was not recorded in Electronic Time and Attendance Management System (ETAMS) until July 2005.	Enforce the policy of recording leave earned and used in ETAMS.	Closed
23	Time and attendance (T&A) logs were not available for review for certain employees selected for testing.	Ensure that documentation supporting payroll transactions is properly maintained and readily available for examination.	Partially closed. Although NARA provided all T&A logs selected for testing, NARA did not provide the Supervisor Time and Attendance Certification Report for certain employees in our sample.
24	T&A logs did not consistently include the proper validating signatures.	Enforce the policy of signing and dating the Supervisor Time and Attendance Certification Report.	Open
25	T&A reports are not consistently reconciled with Supervisory Time and Attendance Report or Leave and Earning Statements (LES).	Periodically review and reconcile payroll related records to ensure accuracy of information.	Closed

Management Response to Auditor's Report (FY 2006)



National Archives and Records Administration

700 Pennsylvania Avenue, NW
Washington, DC 20408-0001

Date: November 9, 2006
To: Paul Brachfeld, Inspector General
From: Allen Weinstein, Archivist of the United States
Subject: Management Response to Draft Independent Auditor's Reports on NARA's Internal Controls and Compliance with Laws and Regulations for FY 2006

Thank you for the opportunity to review and comment on the draft reports entitled *Independent Auditor's Report on Internal Control* and *Independent Auditor's Report on Compliance and Other Matters*. We appreciate the efforts of your staff and all parties associated with the audit process.

We are pleased that the Independent Auditor recognizes our progress, as evidenced by an "unqualified" audit opinion on this year's financial statements. NARA will continue to work diligently to address remaining issues on our path to meeting the President's Management Agenda's goal of improved financial management.

We generally agree with the reports, except for the severity assigned to information technology findings by the Independent Auditors. We offer the following comments:

Material Weakness in Information Technology

We do not agree with the assessment that the findings in this area constitute a material weakness. As noted in the *Independent Auditor's Report on Internal Control*, this condition exists when "...one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions."

We believe that the potential risk to our financial statements from these controls is very low. Further, each of the internal control components discussed in the report: Physical Access Controls, Logical Access Control, Entity-Wide Security Program, System Software, and Contingency Plan, are under programmatic control and there are compensating controls for each of the specific findings which reduce the risks posed by the vulnerabilities. The compensating controls ensure that errors related to these vulnerabilities can be found and corrected in the normal course of business. As noted in our FY 2006 FMFIA report, there are places where our documentation of these controls could be enhanced, and that is being addressed.

NARA's web site is <http://www.archives.gov>

We want to reassure our stakeholders that major investments in information technology at NARA are made in an environment that has effective internal controls. These controls are based in risk assessment and management at many levels within our organization.

Reportable Condition in Payroll Controls

This reportable condition, with its recommendations, generally addresses NARA's ongoing efforts to improve existing policies and procedures. However, the amount of finite organizational resources allotted to it must be commensurable with the level of risk perceived by management. In FY 2006, all but 2 requested payroll documents were available and provided to the auditors. We expect that with conversion to Employee Express in FY2007, payroll documentation issue will be resolved, by means of online accessibility.

In closing, while challenges remain, we strongly believe that NARA has demonstrated our commitment to improved financial management and ability to produce accurate and reliable financial information. We would like to again thank the Office of Inspector General and Clifton Gunderson LLP for working in a professional and dedicated manner with NARA staff.



ALLEN WEINSTEIN
Archivist of the United States

NARA's web site is <http://www.archives.gov>

Financial Statements and Additional Information (FY 2006)

Limitations of the Financial Statements

The principal statements have been prepared to report the financial position and results of operations of NARA, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from NARA's books and records in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are additional to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

NARA's FY 2006 financial statements were audited by Clifton Gunderson LLP under contract to NARA's Office of the Inspector General.

Principal Statements

Consolidated Balance Sheet

*As of September 30, 2006 and September 30, 2005
(in thousands)*

	<u>2006</u>	<u>2005</u>
Assets (Note 2)		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 174,683	\$ 167,231
Investments (Note 3)	7,631	14,740
Accounts receivable (Note 4)	12,486	9,181
Total intragovernmental	<u>194,800</u>	<u>191,152</u>
Cash (Note 2)	49	48
Investments (Note 3)	20,869	11,869
Accounts receivable, net (Note 4)	653	863
Inventory, net (Note 5)	1,110	1,104
General property, plant and equipment, net (Note 6)	339,746	311,802
Other Assets (Note 8)	977	1,029
Total assets	<u>\$558,204</u>	<u>\$ 517,867</u>
Stewardship PP&E (Note 7)		
Liabilities		
Intragovernmental		
Accounts payable	\$ 2,657	\$ 3,366
Other (Note 9, 11, 12)	5,917	3,454
Total intragovernmental	<u>8,574</u>	<u>6,820</u>
Accounts payable	32,949	20,112
Debt held by the public (Note 9, 10)	226,938	236,259
Other (Note 9, 11)	30,333	29,506
Total liabilities	<u>298,794</u>	<u>292,697</u>
Commitments and Contingencies (Note 13)		
Net Position		
Unexpended appropriations - other funds	108,887	117,554
Cumulative results of operations - earmarked funds (Note 14)	29,174	28,743
Cumulative results of operations - other funds	121,349	78,873
Total net position	<u>\$ 259,410</u>	<u>\$ 225,170</u>
Total liabilities and net position	<u>\$ 558,204</u>	<u>\$ 517,867</u>

The accompanying notes are an integral part of these statements

Consolidated Statement of Net Cost
For the years ended September 30, 2006 and 2005
(in thousands)

	2006	2005
Program costs		
Records and archives-related services		
Gross costs (Note 15)	\$ 285,250	\$ 280,307
Less: Earned revenues	(1,244)	(647)
Total net records and archives-related services program costs	284,006	279,660
Trust and Gift Funds		
Gross costs (excluding heritage asset renovation)	13,497	15,274
Heritage asset renovation costs (Note 16)	634	880
Less: Earned revenues	(16,923)	(16,305)
Total net trust and gift fund costs	(2,792)	(151)
Electronic records archives		
Gross costs	6,411	35,655
Less: Earned revenues	-	-
Total net electronic records archives program costs	6,411	35,655
National historical publications and records commission grants		
Gross costs	7,014	7,308
Less: Earned revenues	-	-
Total net national historical publications and records commission grants program costs	7,014	7,308
Archives facilities and presidential libraries repairs and restoration		
Gross costs	544	701
Heritage asset renovation costs (Note 16)	11,942	10,390
Less: Earned revenues	-	-
Total net archives facilities and presidential libraries repairs and restoration program costs	12,486	11,091
Revolving fund records center storage and services		
Gross costs	143,350	143,824
Less: Earned revenues	(135,561)	(132,023)
Total net revolving fund records center storage and services program costs	7,789	11,801
Net Cost of Operations	\$ 314,914	\$ 345,364

The accompanying notes are an integral part of these statements

National Archives and Records Administration
Performance and Accountability Report, FY 2006

Consolidated Statement of Changes in Net Position
For the years ended September 30, 2006 and 2005
(in thousands)

	2006			2005	
	Earmarked Funds	All Other Funds	Elimi- nations	Consolidated Total	Consolidated Total
Cumulative Results of Operations:					
Beginning Balances	\$ 28,743	\$ 78,873	-	\$ 107,616	\$ 91,001
Adjustments:					
Changes in accounting principles (Note 1T)	-	-	-	-	(839)
Beginning balances, as adjusted	28,743	78,873	-	107,616	90,162
Budgetary Financing Sources:					
Appropriations Used	-	338,887	-	338,887	337,245
Non-exchange Revenue	746	-	-	746	579
Donations and Forfeitures of Cash and Cash Equivalents	405	-	-	405	9,366
Other	(7)	-	-	(7)	21
Other Financing Sources (Non-Exchange)					
Imputed financing	466	17,497	-	17,963	15,658
Other	(173)	-	-	(173)	(51)
Total Financing Sources	1,437	356,384	-	357,821	362,818
Net Cost of Operations	1,006	313,908	-	314,914	345,364
Net Change	431	42,476	-	42,907	17,454
Cumulative Results of Operations	29,174	121,349	-	150,523	107,616
Unexpended Appropriations:					
Beginning Balance	-	117,554	-	117,554	139,793
Budgetary Financing Sources:					
Appropriations Received	-	338,141	-	338,141	321,291
Other adjustments	-	(7,921)	-	(7,921)	(6,285)
Appropriations Used	-	(338,887)	-	(338,887)	(337,245)
Total Budgetary Financing Sources	-	(8,667)	-	(8,667)	(22,239)
Total Unexpended Appropriations	-	108,887	-	108,887	117,554
Net Position	\$ 29,174	\$ 230,236	-	\$ 259,410	\$ 225,170

The accompanying notes are an integral part of these statements

Combined Statement of Budgetary Resources
For the years ended September 30, 2006 and 2005
(in thousands)

	2006	2005
Budgetary resources		
Unobligated balance, brought forward October 1:	\$ 74,714	\$ 62,506
Recoveries of prior year unpaid obligations	7,590	27,330
Budget authority		
Appropriations	339,906	331,506
Spending authority from offsetting collections		
Earned		
Collected	166,952	168,253
Change in receivables from Federal sources	2,733	(5,410)
Change in unfilled customer orders		
Advance received	526	96
Without advance from Federal sources	8,557	(770)
Subtotal	518,674	493,675
Permanently not available	17,145	14,773
Total budgetary resources	\$ 583,833	\$ 568,738
 Status of Budgetary Resources		
Obligations incurred		
Direct	346,146	358,512
Reimbursable	173,169	135,513
Subtotal	519,315	494,025
Unobligated balance		
Apportioned	47,098	24,040
Exempt from apportionment	3,342	36,011
Subtotal	50,440	60,051
Unobligated balance not available	14,078	14,662
Total Status of Budgetary Resources	\$ 583,833	\$ 568,738
 Change in Obligated Balance:		
Obligated balance, net,		
Unpaid obligations, brought forward October 1	117,240	157,275
Less: Uncollected customer payments from Federal sources, brought forward October 1	(9,935)	(16,113)
Total unpaid obligated balance, net	107,305	141,162
Obligations incurred net	519,315	494,025
Less: Gross outlays	489,897	506,730
Less: Recoveries of prior year unpaid obligations, actual	7,590	27,330
Change in uncollected customer payments from Federal Sources	(11,289)	6,180
Obligated balances, net, end of period		
Unpaid obligations	139,068	117,240
Less: Uncollected customer payments from Federal sources	(21,224)	(9,935)
Total, unpaid obligated balance, net end of period	117,844	107,305
 Net Outlays:		
Gross outlays	489,897	506,730
Less: Offsetting collections	167,479	168,349
Less Distributed offsetting receipts	99	-
Net Outlays	\$ 322,319	\$ 338,381

The accompanying notes are an integral part of these statements

Consolidated Statement of Financing
For the years ended September 30, 2006 and 2005
(in thousands)

	2006	2005
<i>Resources Used To Finance Activities</i>		
Budgetary resources obligated		
Obligations incurred	\$ 519,315	\$ 494,025
Less: Spending authority from offsetting collections and recoveries	(186,358)	(189,499)
Obligations net of offsetting collections and recoveries	332,957	304,526
Less Offsetting receipts	99	0
Net obligations	332,858	304,526
Other Resources		
Imputed financing from costs absorbed by others	17,963	15,658
Other resources	(174)	(51)
Net other resources used to finance activities	17,789	15,607
<i>Total resources used to finance activities</i>	350,647	320,133
<i>Resources Used to Finance Items not Part of Net Cost of Operations</i>		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	4,662	35,522
Resources that fund expenses recognized in prior periods	(5,696)	(4,706)
Budgetary offsetting collections and receipts that do not affect net cost of operations-Other	95	289
Resources that finance the acquisition of assets	(59,930)	(35,683)
Other resources or adjustments to net obligated resources that do not affect net cost of operations	174	-
<i>Total resources used to finance items not part of net cost of operations</i>	(60,695)	(4,578)
<i>Total resources used to finance the net cost of operations</i>	289,952	315,555
<i>Components of The Net Cost of Operations That Will Not Require or Generate Resources in Current Period</i>		
Components requiring or generating resources in future periods		
Increase in annual leave liability	341	1,482
Other	2,963	1,966
Total components of Net Cost of Operations that will require or generate resources in future periods	3,304	3,448
Components not requiring or generating resources		
Depreciation and amortization	24,891	23,649
Revaluation of assets or liabilities	(127)	1,322
Other	(3,106)	1,390
Total components of Net Cost of Operations that will not require or generate resources	21,658	26,361
<i>Total components of net cost of operations that will not require or generate resources in current period</i>	24,962	29,809
Net Cost of Operations	\$ 314,914	\$ 345,364

The accompanying notes are an integral part of these statements

Notes to Principal Statements

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The National Archives was created by statute as an independent agency in 1934. On September 30, 1949, the Federal Property and Administrative Services Act transferred the National Archives to the General Services Administration (GSA), and its name was changed to National Archives and Records Services. It attained independence again as an agency in October 1984 (effective April 1, 1985) and became known as the National Archives and Records Administration (NARA).

NARA is our nation's record keeper. NARA safeguards records of all three branches of the Federal Government. NARA's mission is to ensure that Federal officials and the American public have ready access to essential evidence—records that document the rights of citizens, the actions of Government officials, and the national experience.

NARA is administered under the supervision of the Archivist of the United States. It comprises various Operating Administrations, each having its own management and organizational structure, which collectively provide services and ready access to essential evidence. NARA's accompanying financial statements include accounts of all funds under NARA's control.

General Funds

- Operating Expenses
 - Records Services—Provides for selecting, preserving, describing, and making available to the general public, scholars, and Federal agencies the permanently valuable historical records of the Federal Government and the historical materials and Presidential records in Presidential Libraries; for preparing related publications and exhibit programs; and for conducting the appraisal of all Federal records.
 - Archives Related Services—Provides for the publication of the Federal Register, the Code of Federal Regulations, the U.S. Statutes-at-Large, and Presidential documents, and for a program to improve the quality of regulations and the public's access to them. This activity also includes the administration and reference service portions for the National Historical Publications and Records Commission.
 - The National Archives at College Park—Provides for construction and related services of the archival facility which opened to the public at the end of 1993.
- Electronic Records Archives—Provides for research, analysis, design, development and program management to build an Electronic Records Archive (ERA) that will ensure the preservation of and access to Government electronic records.
- Repairs and Restoration—Provides for the repair, alteration, and improvement of Archives facilities and Presidential Libraries nationwide. It funds the National Archives' efforts to provide adequate storage for holdings, to maintain its facilities in proper condition for public visitors, researchers, and employees in NARA facilities, and to maintain the structural integrity of the buildings.
- National Historical Publications and Records Commission Grants—Provides for grants funding that the Commission makes, to local, state, and private institutions nationwide, to preserve and publish records that document American history.

Intragovernmental Fund

- Records Center Revolving Fund – Utilizes customer funding effectively to provide services on a standard price basis to Federal agency customers. The fund maintains low cost, quality storage and transfers, reference, re-file, and disposal services for records stored in regional service facilities.

Trust Funds

- National Archives Gift Fund – The National Archives Trust Board solicits and accepts gifts or bequests of money, securities, or other personal property for the benefit of or in connection with the national archival and records activities administered by the National Archives and Records Administration (44 U.S.C. 2305).
- National Archives Trust Fund – The Archivist of the United States furnishes, for a fee, copies of unrestricted records in the custody of the National Archives (44 U.S.C. 2116). Proceeds from the sale of copies of microfilm publications, reproductions, special works and other publications, and admission fees to Presidential Library museums are deposited in this fund.

B. Basis of Presentation

These statements were prepared from the accounting records of NARA in conformity with United States generally accepted accounting principles (GAAP), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting the accounting standards of the U.S. Government. These statements are, therefore, different from the financial reports prepared by NARA, also subject to OMB directives, for the purposes of reporting and monitoring NARA's status of budget resources.

C. Basis of Accounting

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, exchange revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and control over the use of Federal funds.

D. Funds with the U.S. Treasury

Funds with the U.S. Treasury primarily represent appropriated, revolving and trust funds. These funds may be used by NARA to finance expenditures. NARA's cash receipts and disbursements are processed by the U.S. Treasury.

E. Accounts Receivable

Accounts receivable consist of amounts due from the public and other Federal agencies. The allowance for uncollectible accounts from the public is estimated based on an analysis of the aged receivables. Accounts receivable from Federal agencies are expected to be collected and therefore not included when calculating the allowance for uncollectible accounts.

F. Investments in Securities

Investments in Federal securities are made daily and are reported at cost.

NARA also employs the use of a third party capital management firm to monitor and manage the endowments, received pursuant to Title 44 U.S.C. section 2112, for the George Bush Library and Clinton Library. The purpose of the endowment is to provide income to offset the operations and maintenance costs of the corresponding Presidential library. Each endowment is reflected as a separate investment account. During FY 2006, all shares in the Lehman Aggregate Bond Index were sold and shares were repurchased in a Collective Fund. NARA also exercised its authority under Title 44 U.S.C. section 2306, to move a portion of federally held investments for the Presidential libraries to a third party investment firm, The Vanguard Group. All third party investments will be recorded at fair value and interest income earned will be recognized on a monthly basis.

G. Cash

Cash consists of petty cash imprest funds at Presidential Libraries and the National Archives regional and headquarters store locations, used to finance the cashiers' start-up cash.

H. Net Position

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations.

Appropriations are recognized as capital when made available for apportionment by OMB. Unexpended appropriations represent the total amount of unexpended budget authority, both obligated and unobligated. Unexpended appropriations are reduced for appropriations used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative results of operations line item is the net result of NARA's operations since inception.

I. Operating Material and Supplies

Operating material and supplies consist of tangible property to be consumed in normal operations and are expensed when purchased.

J. Inventories

The National Archives Trust Fund inventories, which consist of merchandise held for sale, are stated at the lower of cost or market, with cost determined using the average cost method. An allowance for damaged and obsolete goods is based on historical analysis and an evaluation of inventory turnover from year to year. Expenses are recorded when the inventories are sold.

K. Property, Plant, and Equipment (PP&E)

NARA capitalizes property with a cost exceeding \$50 thousand and a useful life exceeding two years. Depreciation expense is calculated using the straight-line method over the useful life. Property items not meeting the capitalization criteria are recorded as operating expenses.

NARA's PP&E falls into two categories: general PP&E and heritage assets. General PP&E items are used to provide general government goods and services. Heritage assets are defined as possessing significant educational, cultural, or natural characteristics (see Note 7).

L. Internal Use Software

NARA capitalizes internal-use software development projects, where the total cost is \$250 thousand or greater. Internal-use software includes commercial off-the-shelf (COTS) software and internally developed or contractor developed software. The estimated useful life is five years.

M. Employee Health and Life Insurance Benefits

NARA employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employee Group Life Insurance Program (FEGILIP). Both of these programs require contributions from the employee based on the coverage options selected by the employee. NARA contributes the required employer share. Both of these programs provide post-retirement benefits. The Office of Personnel Management (OPM) administers and reports the liabilities for these post-retirement benefits. NARA recognizes the entire service costs of the post-retirement portions of these programs as Imputed Cost and Imputed Financing Sources.

N. Workers' Compensation Program

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from NARA for these paid claims.

Actuarial FECA liability represents the liability for expected future workers' compensation benefits, which includes the liability for death, disability, medical, and miscellaneous costs for approved cases. The actuarial liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period, wage inflation factors, medical inflation factors and other variables. These actuarially computed projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. NARA computed its actuarial FECA liability based on the model provided by DOL.

O. Employee Retirement Benefits

NARA employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). Most NARA employees hired prior to January 1, 1984, participate in the CSRS, to which NARA contributes 7 percent of basic pay and the employee contributes 7 percent, for a total contribution of 14 percent. On January 1, 1984, FERS went into effect pursuant to Public Law 99-335. Under the FERS plan, NARA contributes 11.2 percent, while employees contribute 0.8 percent of basic pay, for a total contribution of 12 percent. NARA funds a portion of pension benefits for its employees under the CSRS and the FERS and makes the necessary payroll withholdings for the employee's share. NARA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits of the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of OPM. NARA does, however, recognize and allocate the imputed costs on the Statement of Net Cost and recognizes imputed financing related to these costs on the Statement of Changes in Net Position.

Employees covered by CSRS and FERS are eligible to contribute to the U.S. Government's Thrift Savings Plan (TSP), administered by the Federal Retirement Thrift Investment Board. Contributions are subject to the annual limitation set by the Internal Revenue Service (IRS) of \$15 thousand for 2006. For FERS covered employees, a TSP account is automatically established to which NARA makes a mandatory contribution of 1 percent of basic pay. FERS-covered employees may contribute to the TSP account subject to IRS limitation, with NARA making matching contributions up to an additional 4 percent of basic pay. NARA also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, NARA matches the amount of 6.2 percent of gross pay up to \$94.2 thousand to SSA's Old-Age Survivors and Disability Insurance (OASDI) program. Additionally, NARA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program.

P. Accrued Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. At the end of each fiscal year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. Current or prior year appropriations are not available to fund annual leave earned but not taken. Funding occurs in the year the leave is taken and payment is made, except for the Trust and Revolving funds which began funding the annual leave earned but not taken in FY 2006. Sick leave and other types of non-vested leave are expensed as taken.

Q. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

R. Contingencies and Commitments

NARA generally recognizes an unfunded liability for those legal actions where unfavorable decisions are considered “probable” and an estimate for the liability can be made. Contingent liabilities that are considered “possible” are disclosed in the notes to the financial statements. Liabilities that are deemed “remote” are not recognized or disclosed in the financial statements.

S. Allocation of Program Management Cost

NARA is comprised of various Operating Administrations, each having its own management and organizational structure. NARA allocates its general management and administrative support to its major components, Records and archives-related services and Revolving Fund. General management costs are not allocated to the Trust and Gift Funds, since they are administered by the National Archives Trust Fund Board, which is an organization independent of, and not funded by, NARA (see Note 15). All other programs appearing on the Statement of Net Cost, such as Electronic Records Archives and National Historic Publications and Records Commission Grants are, in essence, a part of the Records and Archives-related services, which funds the related administrative costs. These sub-programs are shown separately for the purpose of demonstrating accountability and custodial responsibility for the funds received for these programs.

T. Changes in generally accepted accounting principles – FY 2005

For FY 2005, the change in accounting principle of raising the threshold for capitalizing personal property from \$25 thousand to \$50 thousand resulted in a prior period adjustment of \$839 thousand on the Statement of Net Position. Revaluation of assets using the new threshold is reflected in FY 2005 balances.

Note 2 – Fund Balance with Treasury and Cash

Fund balances	(in thousands)	2006	2005
Appropriated funds		\$ 144,881	\$ 141,835
Revolving fund		29,306	23,413
Trust fund		292	1,887
Gift fund		14	96
Other Funds		190	-
Sub-total		174,683	167,231
Investments		28,500	26,609
Less interest receivable on investments		(176)	(8)
Less Investments held outside Treasury		(20,694)	(11,861)
Imprest Fund (Cash)		49	48
Total		\$ 182,362	\$ 182,019

Status of fund balances with Treasury

Unobligated balance			
Available		50,440	60,052
Unavailable		14,078	14,662
Obligated balance not yet disbursed		117,654	107,305
Other funds		190	-
Total		\$ 182,362	\$182,019

Unavailable unobligated balance includes the following

Allotments – Expired authority	\$ 14,078	\$ 14,662
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Restricted donations, included in the available unobligated balance above, are obligated in accordance with the terms of the donor. All donations to Presidential Libraries and the National Archives with specific requirements are considered restricted as to purpose. The restricted

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unobligated balance is \$ 12,483 thousand as of September 30, 2006, and \$ 12,916 thousand as of September 30, 2005.

Other Funds represents Non-Entity FBWT funds, consisting of revenue collected and due to the Reagan and Clinton Foundations subject to revenue sharing agreement with the Trust Fund. It is offset by an equal liability in Other Liabilities, Due to Others.

The unused fund balances of \$ 4,539 thousand in canceled appropriations for FY 2001 are returned to Treasury at the end of the fiscal year.

Note 3 – Investments

Investments as of September 30, 2006 and September 30, 2005 consist of the following (*in thousands*):

Amounts for 2006 Balance Sheet Reporting						
	Cost	Amortization Method	Amortized (premium) discount	Investments, Net	Other Adjustments	Market value disclosure
Intragovernmental Securities						
Marketable	\$ 7,630	Straight	\$ -	\$ 7,630	\$ -	\$ 7,630
Accrued interest	1		-	1	-	1
Total intragovernmental	\$ 7,631	Line	\$ -	\$ 7,631	\$ -	\$ 7,631
Other securities						
Money Market Funds	57		-	57		57
Focused Core Funds	11,245		-	11,245	190	11,435
Vanguard Developed Market Index Fund	891		-	891	(2)	889
Vanguard Total Bond Market Index Fund - Admiral	6,357		-	6,357	129	6,486
Vanguard Total Stock Market Index Fund - Admiral	898		-	898	19	917
Vanguard PRIMECAP Core Fund	892		-	892	18	910
Accrued Interest	175		-	175	-	175
Total other	20,515		-	20,515	354	20,869
Total Investments	\$28,146		\$ -	\$28,146	\$ 354	\$28,500

Other securities represent investments in short-term investment funds and fixed-income securities.

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Amounts for 2005 Balance Sheet Reporting

	Cost	Amortization Method	Amortized (premium) discount	Investments, Net	Other adjustments	Market value disclosure
Intragovernmental Securities						
Marketable	\$ 14,793	Straight	\$53	\$ 14,740	\$(1)	\$ 14,739
Total intragovernmental	<u>14,793</u>	Line	<u>53</u>	<u>14,740</u>	<u>(1)</u>	<u>\$ 14,739</u>
Other securities						
Cash Equivalents	22			22		22
Corp. & foreign Bonds	1			1		1
Closed-end Fixed Income	11,838			11,838		11,838
Accrued interest	8			8		8
Total other	<u>11,869</u>			<u>11,869</u>		<u>11,869</u>
Total investments	<u>\$ 26,662</u>		<u>\$ 53</u>	<u>\$ 26,609</u>	<u>\$ (1)</u>	<u>\$ 26,608</u>

Intra-governmental Investments in Treasury Securities-Investments for Earmarked Funds

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Gift and Trust funds as evidence of its receipts. Treasury securities are an asset to the Gift and Trust funds and a liability to the U.S. Treasury. Since the Gift and Trust funds and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Gift and Trust funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Gift and Trust funds require redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Note 4 – Accounts Receivable, Net

Accounts receivable and allowances for uncollectible accounts consisted of the following:

(in thousands):

	2006		2005	
	Intra-governmental	With the public	Intra-Governmental	With the public
Accounts receivable	\$12,486	\$ 656	\$ 9,181	\$ 867
Allowance for uncollectible accounts	-	(3)	-	(4)
Accounts receivable, net	<u>\$12,486</u>	<u>\$653</u>	<u>\$ 9,181</u>	<u>\$ 863</u>

Note 5 – Inventories

Inventories consist of merchandise held available for current sale at gift shops in the Presidential Libraries and the National Archives buildings. There was no change to the allowance estimate for

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the quarter ending September 30, 2006.

(in thousands)

	2006	2005
Inventory held for sale	\$1,373	\$ 1,609
Allowance for damaged and obsolete goods	(263)	(505)
Net realizable value	\$1,110	\$ 1,104

Note 6 - General Property, Plant, and Equipment, Net

The following components comprise Property, Plant, and Equipment as of September 30, 2006 and September 30, 2005 (in thousands):

Asset category	Estimated useful life in years	Acquisition cost	Accumulated depreciation/ amortization	2006 Net book value	2005 Net book value
Land	N/A	\$ 6,159	\$ -	\$ 6,159	\$ 6,159
Buildings and structures	30	387,189	(156,218)	230,971	243,919
Construction and shelving in progress		7,782	-	7,782	5,462
Equipment & Shelving	3 to 20	59,158	(37,126)	22,032	22,295
Leasehold improvements	5	3,430	(444)	2,986	3,180
Assets under capital lease	20	5,284	(2,698)	2,586	2,850
Internal-use software	5	41,998	(25,421)	16,577	16,605
Software development in progress		50,653	-	50,653	11,332
Total property, plant and equipment		\$ 561,653	\$ (221,907)	\$ 339,746	\$ 311,802

Buildings and structures presented on the balance sheet include the National Archives at College Park and the Southeast Regional Archival Facility in Atlanta, GA which are multi-use heritage assets. All other buildings are deemed to be heritage assets and are not included in the general PP&E and are described further in Note 7.

Note 7 - Stewardship PP&E

NARA classifies all Presidential Libraries and the National Archives Building in Washington, DC, as heritage assets, as well as all the holdings which include artifacts, traditional holdings and electronic holdings. NARA's heritage assets are integral to the mission of the National Archives and Records Administration to safeguard, preserve, and ensure continuing access to the records of our Government. Heritage assets are not included on the Balance Sheet, as no financial value is, nor can be, placed on these assets. The costs of repairs and renovations to the heritage asset buildings are presented separately on the Statement of Net Cost as "Heritage asset renovation costs," and detailed in Note 16.

Two of NARA's buildings, National Archives facility at College Park and the Southeast Regional Archival facility in Atlanta, GA, are classified as multi-use heritage assets. Multi-use heritage assets are heritage assets that are used predominantly for general government operations. The costs of acquisition, significant betterment or reconstruction of multi-use heritage assets are capitalized as general PP&E and depreciated, and are included on the balance sheet.

Physical quantity of heritage and multi-use assets, the current condition of general and heritage assets PP&E and estimated cost of deferred maintenance is reported in Required Supplementary Information.

Note 8 – Other Assets

Other assets as of September 30, 2006 and September 30, 2005, consist of the following

(in thousands):

	2006		2005	
	Intra-governmental	With the public	Intra-governmental	With the public
Other assets	\$ -	\$ 975	\$ -	\$ 1,029
Advances-travel	-	2	-	-
Total other assets	\$ -	\$ 977	\$ -	\$ 1,029

Other assets consist mainly of an unamortized balance of a one-time cost of obtaining an operating lease. This cost is deferred and is being amortized over the lease term as additional rent expense.

Note 9 – Liabilities not covered by Budgetary Resources

Liabilities not covered by budgetary resources as of September 30, 2006 and September 30, 2005, consist of the following:

(in thousands)

	2006		2005	
	Intra-governmental	With the public	Intra-governmental	With the public
Debt held by the public (including accrued interest)	\$ -	\$ 226,938	\$ -	\$ 236,259
Other	339	19,238	258	21,840
Total liabilities not covered by budgetary resources	339	246,176	258	258,099
Total liabilities covered by budgetary resources	8,235	44,044	6,562	27,778
Total liabilities	\$ 8,574	\$ 290,220	\$ 6,820	\$ 285,877

Liabilities not covered by budgetary resources are liabilities that are not funded by direct budgetary authority in the current fiscal year and result from the receipt of goods and services, or the occurrence of eligible events, for which appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through Congressional appropriation. Beginning in FY 2006, the trust and revolving funds funded the annual leave earned, but not yet used; therefore it is now included in the Total liabilities covered by budgetary resources.

Total other intragovernmental liabilities of \$339 thousand as of September 30, 2006 and \$258 thousand for FY 2005 represent workers' compensation claims paid by the Department of Labor (DOL). The other liabilities with the public of \$19,238 thousand for FY 2006 and \$21,840 thousand for FY 2005, consists of unfunded annual leave of \$9,018 thousand and \$12,497 thousand, and workers' compensation of \$10,220 thousand and \$9,342 thousand, respectively. These represent estimated future costs that have been actuarially determined and regarded as a liability to the public because neither the costs nor reimbursement have been recognized by DOL for the corresponding years.

Note 10 - Debt Held by the Public

Public Law 100-440 authorized NARA to "enter into a contract for construction and related services for a new National Archives facility. . . . The contract shall provide, by lease or installment payments payable out of annual appropriations over a period not to exceed thirty years."

In 1989, NARA entered into an installment sale and trust agreement with the trustee, United States Trust Company of New York. Under terms of this agreement, the trustee obtained financing for the construction of the National Archives at College Park through the sale of certificates representing proportionate shares of ownership in installment payments to be made by NARA semiannually.

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Although the full amount financed, \$301,702 thousand, was included (scored) for U.S. budget estimation purposes in FY 1989, NARA requires an annual congressional appropriation to pay the redemption of debt (principal) and interest costs of \$28,971 thousand annually. The 25-year semiannual payments of \$14,486 thousand began in 1994 and will be completed in 2019.

Unpaid Principal Balance (in thousands)

2006 Beginning Balance	\$ 234,567
Less: FY 2006 Debt Repayment	<u>9,225</u>
Ending balance - Principal, at September 30, 2006	225,342
Accrued interest payable	<u>1,596</u>
Total Debt at September 30, 2006	<u>\$ 226,938</u>

Note 11 – Other Liabilities

Other Liabilities as of September 30, 2006 and September 30, 2005, consists of the following:

(in thousands)

	2006		
	Non-Current	Current	Total
Intragovernmental			
Workers' compensation	\$ 1,460	\$ 1,061	\$ 2,521
Capital lease liability	794	274	1,068
Accrued payroll	-	1,476	1,476
Advances from others	-	852	852
Total Intragovernmental	\$ 2,254	\$ 3,663	\$ 5,917
Workers' compensation	\$ 10,220	\$ -	\$ 10,220
Accrued funded payroll and leave	-	10,529	10,529
Unfunded leave	9,018	-	9,018
Other liabilities	-	268	268
Advances from others	-	99	99
Due to others	-	199	199
Total other liabilities	\$ 21,492	\$ 14,758	\$ 36,250
	2005		
	Non-Current	Current	Total
Intragovernmental			
Workers' compensation	963	877	\$1,840
Capital lease liability	1,216	398	1,614
Accrued payroll	-	-	-
Other liabilities	-	-	-
Total Intragovernmental	2,179	1,275	3,454
Workers' compensation	9,342	-	9,342
Accrued funded payroll and leave	-	7,243	7,243
Unfunded leave	12,497	-	12,497
Advances from others	-	424	424
Total other liabilities	\$24,018	\$8,942	\$ 32,960

The liability for workers' compensation includes an estimated future costs. Estimated future costs have been actuarially determined and are regarded as a liability to the public because neither the costs nor reimbursement have been recognized by DOL. Workers' compensation is described in Note 1N, Summary of Significant Accounting Policies, and is included in Liabilities Not Covered by Budgetary Resources, as described in Note 9.

Accrued annual leave consists of employees' unpaid leave balances at September 30, 2006 and reflects wage rates in effect at the time of calculation. Accrued annual leave is described in Note

1P, Summary of Significant Accounting Policies, and is included in Liabilities Not Covered by Budgetary Resources for OE funds, as described in Note 9.

Note 12 – Leases

NARA leases office space, vehicles, copiers, and equipment under annual operating leases. These leases are cancelable or renewable on an annual basis at the option of NARA.

The NARA revolving fund conducts the major part of its operation from leased facilities. Most of the leases are cancelable operating leases. These leases may be cancelled with four months notice, or, in the case of the new Atlanta lease, may be terminated for convenience by NARA, under the provisions of the Federal Acquisitions Regulation.

Two leases are classified as capital leases. The capital leases represent the liability for shelving leased through GSA at the Dayton and Philadelphia records facilities. They expire in September 2007 and December 2014, respectively. The schedule below shows the future minimum payments under capital leases with the present value of the future minimum lease payments (in thousands):

Capital Leases –NARA as lessee	2006	2005
Summary of assets under capital lease:		
Shelving	\$ 5,284	\$ 5,284
Accumulated amortization	2,698	2,434

Description of Lease Arrangements

Future payments due	
<u>Fiscal year</u>	
2007	\$344
2008	146
2009	146
2010	146
2011	146
After 2010	452
Total future lease payments	1,380
Less: imputed interest	312
Net capital lease liability	\$ 1,068

Net capital lease liability is covered by budgetary resources, and included in Intragovernmental Liabilities, Other.

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NARA has non-cancelable operating leases with GSA which cover the Pittsfield, MA, Dayton (Kingsridge), OH, and Lenexa, KS records facilities. The lease periods are January 5, 1994, through January 4, 2014 for the Pittsfield lease; September 1, 2004, through December 31, 2022, for the Dayton (Kingsridge) lease; and February 1, 2003, through January 31, 2023, for the Lenexa lease. The leases include no renewal options. The leases include escalation clauses for operating costs tied to inflationary increases and for real estate taxes tied to tax increases. (Note: The minimum future lease payments include estimated escalations for operating costs and real estate taxes. These amounts will be adjusted to the actual costs GSA incurs for operating costs and real estate taxes for each lease.)

NARA has non-cancelable operating leases with public corporations which cover the Perris, CA and Atlanta, GA records facilities. Both leases have three 10-year options to renew after the initial period. The lease periods for Perris, CA are December 1, 2004, through December 1, 2024 and for Atlanta, GA is October 1, 2004, through September 30, 2024. The leases include escalation clauses for operating costs tied to inflationary increases and for real estate taxes tied to tax increases. (Note: The minimum future lease payments include estimated escalations for operating costs and real estate taxes. These amounts will be adjusted to the actual costs incurred for operating costs and real estate taxes for each lease.)

NARA has a non-cancelable operating lease with Potomac Electric Power Company for land that is leased for a parking lot at National Archives II, College Park. The lease is for 20 years from May 2003 thru April 2023 and contains a set schedule of payments due. The schedule below shows the total future lease payments by asset class (in thousands):

Operating Leases - NARA as lessee

Future payments due: Fiscal year	Asset Category	
	Land	Buildings
2006	\$ 120	\$ 9,588
2007	123	9,672
2008	126	9,828
2009	129	10,011
2010	132	10,127
After 2011	1,793	110,111
Total future lease payments	\$ 2,423	\$ 159,337

Note 13 – Commitments and Contingencies

NARA has incurred claims in the normal course of business. As of September 30, 2006, in the opinion of General Counsel, NARA has no material outstanding claims. The aggregate potential loss to NARA on all outstanding claims, with a reasonable possibility of an unfavorable outcome is estimated not to exceed \$ 300 thousand. This amount reflects the fact that any settlements or awards on a tort claim over \$2,500 are payable by the U.S. Treasury Judgment Fund, and not by NARA.

Note 14 - Earmarked Funds

Congress established the National Archives Trust Fund Board to receive and administer gifts and bequests of money and other personal property and to receive monies from the sale of reproduction of historical documents and publications for activities approved by the Board and in the interest of NARA and the Presidential Libraries. The members of the Board are the Archivist of the United States, who serves as chairman; the Secretary of the Treasury; and the chairman of the National Endowment for the Humanities. Membership on the board is not an office within the meaning of the statutes of the United States.

The membership, functions, powers, and duties of the National Archives Trust Fund Board shall be as prescribed in the National Archives Trust Fund Board Act of July 9, 1941, as amended (44 U.S. C. 2301-2308). These bylaws are adopted pursuant to the authority vested in the Board by 44 U.S. C. 2303 (3) to adopt bylaws, rules and regulations necessary for the administration of its function under this chapter.

National Archives Trust Fund Board administers the National Archives Trust Fund (NATF) and the National Archives Gift Fund (NAGF). NATF finances and administers the reproduction or publication of records and other historical materials for the benefit of NARA. NAGF accepts, receives, holds, and administers, in accordance with the terms of the donor, gifts, or bequests of money, securities, or other personal property for the benefit of NARA activities. The major areas of activity for these funds are Presidential Libraries, the Office of Regional Records Services, and the National Historical Publications and Records Commission.

Cumulative results of operations are reported as restricted or unrestricted. Restricted cumulative results of operations represent the net of donations and disposition of donations to the Gift Fund in accordance with terms of the donor. All donations and related expenses to Presidential Libraries, and donations and related expenses to National Archives Gift Fund activities with specific requirements are considered restricted; all others are reported as unrestricted.

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Financial Information for NATF and NAGF as of September 30, 2006, consists of the following:

(in thousands)	2006		
	NATF	NAGF	Total Earmarked Funds
Assets			
Fund balance with Treasury	\$482	\$ 14	\$ 496
Cash	49	-	49
Investments, net	12,586	15,914	28,500
Accounts receivable	529	6	535
Inventory	1,110	-	1,110
Property, plant and equipment	76	-	76
Total assets	14,832	15,934	30,766
Liabilities			
Accounts payable	540	140	680
Other liabilities	912	-	912
Total liabilities	1,452	140	1,592
Net position			
Cumulative results of operations			
Restricted	-	12,483	12,483
Unrestricted	13,380	3,311	16,691
Total net position	13,380	15,794	29,174
Total liabilities and net position	14,832	15,934	30,766
Statement of Net Cost for the Period Ended September 30			
Gross Program Costs	16,264	1,665	17,929
Less Earned Revenues	16,923	-	16,923
Net Costs of Operations	(659)	1,665	1,006
Statement of Changes in Net Position For the Period Ended September 30			
Net position, Beginning of fiscal year	\$ 12,251	\$ 16,492	\$ 28,743
Non-exchange revenue	4	742	746
Donations	-	405	405
Other Budgetary Financing Sources	-	(7)	(7)
Imputed financing from costs absorbed by others	466	-	466
Other Financing Sources	-	(173)	(173)
Total financing sources	470	967	1,437
Net cost of operations	(659)	1,665	1,006
Change in Net Position	1,129	(698)	431
Net Position, End of fiscal year	\$13,380	\$15,794	\$ 29,174

The elimination column was omitted because there was no elimination activity.

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Financial Information for NATF and NAGF as of September 30, 2005,
presented prior to intra-agency eliminations, consists of the following:

(in thousands)	2005	
	NATF	NAGF
Assets		
Fund balance with Treasury	\$ 1,887	\$ 95
Cash	48	-
Investments, net	10,209	16,401
Accounts receivable	679	-
Inventory	1,104	-
Property, plant and equipment	209	-
Total assets	14,136	16,496
Liabilities		
Accounts payable	798	4
Other liabilities	1,087	-
Total liabilities	1,885	4
Net position		
Cumulative results of operations		
Restricted	-	13,015
Unrestricted	-	3,477
Total net position	12,251	16,492
Total liabilities and net position	\$ 14,136	\$ 16,496
Net position, beginning of fiscal year	\$ 11,933	\$ 8,211
Change in net position		
Non-exchange revenue	1	578
Donations	-	9,366
Imputed financing from costs absorbed by others	469	(30)
Total financing sources	470	9,914
Net cost of operations	152	1,633
Net position, end of fiscal year	\$ 12,251	\$ 16,492

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Note 15 – Intragovernmental Costs and Exchange Revenues by Program

	<u>2006</u>	<u>2005</u>
Records and archives-related services		
Intragovernmental gross costs	\$ 51,511	\$ 50,771
Public costs	233,739	229,536
Total Records and archives-related services costs	<u>285,250</u>	<u>280,307</u>
Intragovernmental earned revenue	1,244	267
Public earned revenue	-	380
Total Records and archives-related service earned revenue	<u>1,244</u>	<u>647</u>
Trust and Gift Funds		
Intragovernmental gross costs	2,863	1,848
Public costs	10,634	13,426
Heritage asset renovation cost	634	880
Total Trust and Gift Funds costs	<u>14,131</u>	<u>16,154</u>
Intragovernmental earned revenue	1,064	551
Public earned revenue	15,859	15,754
Total Trust and Gift Funds earned revenue	<u>16,923</u>	<u>16,305</u>
Electronic Records Archives		
Intragovernmental gross costs	4,656	3,736
Public costs	1,755	31,919
Total Electronic records archives costs	<u>6,411</u>	<u>35,655</u>
National Historical Publications and Records Commission grants		
Intragovernmental gross costs	-	49
Public costs	7,014	7,259
Total National Historical Publications and Records Commission grants costs	<u>7,014</u>	<u>7,308</u>
Archives facilities and presidential libraries repairs and restoration		
Intragovernmental gross costs	162	231
Public costs	382	470
Heritage asset renovation cost	11,942	10,390
Total Archives Facilities and presidential libraries repairs and restoration costs	<u>12,486</u>	<u>11,091</u>
Revolving fund records center storage and services		
Intragovernmental gross costs	67,609	73,004
Public costs	75,741	70,820
Total Revolving fund records center storage and services costs	<u>143,350</u>	<u>143,824</u>
Intragovernmental earned revenue	134,582	131,030
Public earned revenue	979	993
Total Revolving fund records center storage and service earned revenue	<u>\$ 135,561</u>	<u>\$ 132,023</u>

Gross costs are classified on the basis of the sources of goods and services. Intragovernmental gross costs are expenses related to purchases from a Federal entity. Intragovernmental earned revenue represents exchange transactions between NARA and other Federal entities.

“Gross Public costs” are expenses related to purchases from a non-Federal entity, and the exchange revenue is classified as “with the public” where the buyer of the goods or services is a non-Federal entity.

Note 16 – Cost of Stewardship PP&E

Stewardship assets consist of heritage assets as defined in Note 7. The Consolidated Statement of Net Cost includes the following costs to renovate heritage assets buildings, as of September 30, 2006 and September 30, 2005 (in thousands):

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Asset	2006			2005		
	<u>Gift</u>	<u>Trust</u>	<u>Appropriation</u>	<u>Gift</u>	<u>Trust</u>	<u>Appropriation</u>
National Archives Building	\$ 300	\$ -	\$ 5,973	\$ -	\$ -	\$4,530
<u>Libraries:</u>						
Roosevelt			449	251		1,020
Hoover			930			83
Truman			55			391
Eisenhower			141			245
Kennedy	66	43	468			855
Johnson			2,553			606
Nixon			510			112
Ford			234			196
Carter			386			1,048
Reagan		225	227		629	283
Bush			7			1,020
Clinton			9			
Total	\$ 366	\$ 268	\$ 11,942	\$ 251	\$ 629	\$10,390

As of September 30, 2006, the Nixon Library had not been transferred to NARA. The costs included are for the efforts to evaluate the condition of the building prior to acceptance of the library building.

During a severe storm in Washington, DC, in June 2006, a combination of clogged storm drains along Constitution Avenue, and a massive Pepco power outage resulted in significant water damage to the sub-basement level of the National Archives Building, including the William G. McGowan Theater. NARA redirected significant resources for damage containment; repairs and restoration of the National Archives Building, as reflected above, in the amount of \$2,196 thousand for FY 2006. Due to intense containment efforts by NARA, no water damage resulted to NARA's extensive records holdings.

For additional information about NARA's Stewardship Assets see Note 7 and Required Supplementary Information.

Note 17 – Stewardship Assets Acquired Through Transfer, Donation or Devise

NARA has ownership of heritage assets received through gifts of money, security or other property. The National Archives Gift fund receives and accepts, holds and administers in accordance with the terms of the donor, gifts or bequests for the benefit of the National Archives Gift Fund activities or Presidential Libraries. Additional information about heritage assets is presented in Note 7, including the type and quantity of heritage assets added during the fiscal year.

Note 18 – Exchange Revenues

Records Administration Conference (RACO) Fees were determined based on attendance levels and costs in FY 2005 plus modest inflationary increases. The fees are as follows: \$295 per registrant and \$1,650 per vendor exhibit.

Records Management Program Training Course The basic per day charge for records management training classes is \$150. This fee is based on the salary and benefits for a full time program administrator, training costs for new trainers and additional training for existing trainers, and direct overhead costs (e.g., reproduction of class materials and preparation of training binders). In addition, this cost includes the purchase and updating of teaching and training aids and several computer software programs. This fee was based on a total Office of Records Services annual program average cost of \$120,000 per year with 800 training days (\$120,000/800=\$150).

Providing access to and assisting in reproducing foreign policy-related records in the Nixon Presidential Materials Project NARA is reimbursed for the salary and benefits of two NARA

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archival staff members providing assistance in reproducing foreign policy-related records in the Nixon Presidential Materials Project. In addition, NARA is reimbursed for reproduction costs at \$.15 per copy. This project was completed in FY 2005.

Office Support for Air Force Declassification Office Patrick Air Force Base employees are working at NARA on declassification of records. The Air Force provided funds for office support (wiring, furnishings, etc.) for the declassification employees. This project was completed in FY 2005.

Records Center Revolving Fund The program office develops transaction billing rates annually for the upcoming fiscal year. The rates are developed to ensure full cost recovery for the delivery of storage and services of records held by the fund for its customer agencies. The rate development process is reviewed for reasonableness by the revolving fund office and receives final approval from the Archivist. Adjustments, changes or additions to the rates are submitted to the Archivist for approval before implementation.

Orleans Parish Records Project for FEMA FEMA provided funding for NARA to remove records damaged by Hurricane Katrina as follows: Approximately 40 steel filing cabinets and more than 1,000 cubic feet of shelved records containing legal sensitive materials are required to be removed from an environmentally hazardous area. These hazards include, but are not limited to toxic materials from flood water and drugs and chemicals seized from criminal investigations. The records will be removed and transported to a facility to be frozen, freeze dried, then placed onto another medium such as microfiche, or digitized, as determined by an archivist.

Note 19 - Apportionment Categories of Obligations Incurred

OMB typically uses one of two categories to distribute budgetary resources in a fund. Apportionments that are distributed by fiscal quarters are classified as category A. Category B apportionments usually distribute budgetary resources by activities, project, objects or a combination of these categories. In FY 2006, OMB retroactively designated NARA's Revolving and Gift funds as subject to apportionment. NARA's Trust fund remains exempt from apportionment.

The amounts of direct and reimbursable obligations incurred (in thousands).

	Category A		Category B		Exempt		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Direct	\$319,136	\$319,872	\$27,010	\$8,488	\$ -	\$30,152	\$346,146	\$358,512
Reimbursable	2,896	652	146,223	-	24,050	134,861	173,169	135,513
Total	\$322,032	\$320,524	\$173,233	\$8,488	\$24,050	\$165,013	\$ 519,315	\$494,025

Note 20 - Legal Arrangements Affecting Use of Unobligated Balances

Public Law 108-447, December 8, 2004, Division H, Title V, Section 511 authorized that up to 50 percent of NARA's unobligated balances remaining available at the end of FY 2005 to be available through the end of FY 2006. During FY 2006, \$310 thousand was transferred to 2006 appropriation account.

Note 21 - Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* calls for explanations of material differences between budgetary resources available, status of those resources and outlays as presented in the Statement of Budgetary Resources (SBR) to the related actual balances published in the *Budget of the United States Government* (President's Budget). However, the *Budget of the United States Government* (President's Budget) that will include FY 2006 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2007. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

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Instead, NARA FY 2005 SBR balances and the related President's Budget are shown in a table below for each major budget account in which a difference exists. The differences are primarily due to reporting requirement differences for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both unexpired and expired appropriations, while the President's Budget discloses only unexpired budgetary resources that are available for new obligations.

<i>(in millions)</i>	2005			
	Budgetary Resources	Obligations Incurred	Unobligated Balance	Net Outlays
Statement of Budgetary Resources	\$284	\$268	\$16	\$266
Difference-Expired appropriations	15	-	15	-
Budget of the U.S. Government	\$269	\$268	\$ 1	\$266

Note 22 – Undelivered orders at the end of the period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2006 and 2005 is \$87,744 thousand and \$83,324 thousand, respectively.

Note 23 – Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

As of September 30, 2006 and 2005, budgetary resources were not yet available to fund certain liabilities reported on the balance sheet. For the balances in question, most are long-term in nature where funding is generally made available in the year the payments are anticipated. Debt held by the public is not covered by budgetary resources. The others are included as "Other liabilities" on the balance sheet and consist of annual leave liability and unfunded workers' compensation. The increase in annual leave liability is shown as a separate line item on the statement of financing. Changes to workers' compensation are included in "Other components requiring or generating resources in future periods."

Required Supplementary Information

Stewardship PP&E

As described in Note 7, major categories of heritage assets for NARA are buildings designated as heritage or multi-use heritage assets, and NARA archival holdings, detailed below.

	Balance 9-30-05	Additions	Deletions	Balance 9-30-06
Record types				
Artifacts (# of items)				
Presidential libraries	542,056			542,056
Office of Regional Records Services Washington, DC	20			20
	1,488			1,488
Total	543,564	0	0	543,564
Traditional holdings (in cubic feet)				
Presidential libraries	231,571	1,264		232,835
Office of Regional Records Services Washington, DC	677,352	7,217		684,569
Affiliated archives	2,245,648	123,867		2,369,515
	12,425			12,425
Total	3,166,996	132,348	0	3,299,344
Electronic holdings (in logical data records)				
Presidential libraries Washington, DC	35,308,040			35,308,040
	8,073,084,411	2,438,624,843		10,511,709,254
Total	8,108,392,451	2,438,624,843	0	10,547,017,294
Non-record types				
Buildings and structures (in units)				
Presidential libraries	18			18
National Archives Building	1			1
Multi-use heritage asset-building	2			2
Total	21	0	0	21
Land in pieces, multi-use	2			2

Archival holding consist of the following record types:

- Artifacts are objects whose archival value lies in the items themselves rather than in any information recorded upon them. The unit of measure for artifacts is the number of artifact items.
- Traditional Textual (paper) are records on paper whose intellectual content is primarily textual. The unit of measure for traditional textual is cubic feet.
- Traditional Non-textual (all media) category includes all records not classified as textual (paper), artifacts, or electronic records. It includes still pictures on paper and film; posters; architectural drawings, charts, maps and other cartographic records on paper; textual records on microfilm; as well as motion pictures, video, sound recordings, and other clearly non-textual records. The unit of measure for traditional non-textual is cubic feet.
- Electronic records are records on electronic storage media. The unit of measure for electronic records is the logical data record.

Multi-use heritage assets are comprised of National Archives facility at College Park and the Southeast Regional Archival facility in Atlanta, GA, and two pieces of land, which are sites for current or future multi-use regional archival facility. These are also included in general PP&E on the Balance Sheet (Note 6).

The Archivist determines, through the formal scheduling and appraisal process, whether records have sufficient administrative, legal, research or other value to warrant their continued preservation by the Government and for how long (44 USC 3303a). When in the public interest, the Archivist may accept Government records for historical preservation (44 USC 2107) and accept non-Government papers and other historical materials for deposit (44 U.S.C. 2111). The Archivist also administers Presidential and Vice Presidential records in accordance with 44 U.S.C. Chapter 22. Methods of acquisition and disposal are according to the guidelines established through the legal authority granted to NARA. Information about the condition and deferred maintenance information is contained in the Deferred Maintenance section of the Required Supplementary Information.

Deferred Maintenance

NARA owns, builds, purchases, and manages assets including the National Archives Building, the National Archives at College Park, MD, the Southeast Regional Archives building in Atlanta, GA the Presidential Libraries, and land for a future regional archive building. All of these support the stated mission of NARA. Recent major renovations have been completed at the National Archives Building and many of the Presidential Libraries.

NARA uses the condition assessment method to determine the condition of fixed assets, including stewardship PP&E facilities. The condition assessment surveys (CAS) at NARA are conducted by a professional architectural firm, who performs Building Condition Reports (BCR) for all NARA owned facilities on a periodic basis. NARA uses a five-year schedule so all buildings will have a BCR completed on a five year cycle. Facility managers will continue to perform condition assessments annually to identify critical needs between BCRs. Maintenance required to bring fixed assets to acceptable condition, which is not scheduled or performed when needed, is included in the deferred maintenance estimate below.

Due to the scope, nature, and variety of the assets and the nature of the deferred maintenance, exact estimates are very difficult to determine. Current estimates include correcting deficiencies that relate to the safety or the protection of valuable materials, modifications to provide safety and public accessibility to the facility, and electrical upgrades to prevent loss of critical data. The estimates generally exclude vehicles and other categories of operating equipment.

At the end of FY 2006, needed maintenance projects for 13 locations, including ten Presidential libraries, have been identified from current BCR reports, and are included in the deferred maintenance estimate.

<u>Category</u>	<u>Method</u>	<u>Acceptable Asset Condition</u>	<u>Estimated Deferred Maintenance</u>
Heritage assets - Buildings	CAS	Good	\$29 to 30 million
Multi-use assets - Buildings	CAS	Good	\$9 to 10 million

NARA categorizes facilities and equipment according to condition using terms such as those shown below:

- o *Good.* Facilities/equipment condition meets established maintenance standards, operating efficiently and has a normal life expectancy. Scheduled maintenance should be sufficient to maintain the current condition. There is no deferred maintenance on building and equipment in good condition.

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- *Fair.* Facilities/equipment condition meets minimum standards, but requires additional maintenance or repairs to prevent further deterioration, increase operating efficiency and to achieve normal life expectancy.
- *Poor/Unsatisfactory.* Facilities/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function.

It is NARA's mission to safeguard and preserve numerous heritage asset holdings in our custody. NARA makes tremendous daily efforts to ensure their continued preservation. The costs, identified by BCRs, to address serious deficiencies related to safety and protection of valuable materials are reflected in the Deferred Maintenance estimate, above.

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Required Supplementary Information
Schedule of Budgetary Resources by Major Budget Accounts (in thousands)

Fiscal Year 2006	Records and Archives-Related Services	Gift Fund	Trust Fund
Budgetary Resources			
Unobligated balance, brought forward October 1:	15,135	4,622	10,965
Recoveries of prior year unpaid obligations	4,563	7	183
Budget authority			
Appropriations	283,045	1,765	-
Spending authority from offsetting collections			
Earned			
Collected	12,369	-	17,036
Change in receivables from Federal sources	(100)	-	(467)
Change in unfilled customer orders			
Advance received	851	-	(325)
Without advance from Federal sources	-	-	-
Subtotal	296,165	1,765	16,244
Nonexpenditure transfer, net, anticipated and actual	2,000	-	-
Permanently not available	16,594	-	-
Total Budgetary Resources	301,269	6,394	27,392
Status of Budgetary Resources			
Obligations incurred			
Direct	283,280	4,030	-
Reimbursable	3,600	-	24,050
Subtotal	286,880	4,030	24,050
Unobligated balance			
Apportioned	1,224	2,364	-
Exempt from apportionment	-	-	3,342
Subtotal	1,224	2,364	3,342
Unobligated balance not available	13,165	-	-
Total Status of Budgetary Resources	301,269	6,394	27,392
Change in Obligated Balance:			
Obligated balance, net,			
Unpaid obligations, brought forward October 1	47,287	5	1,853
Less: Uncollected customer payments from Federal Sources, brought forward October 1	(108)	-	(674)
Total unpaid obligated balance, net	47,179	5	1,179
Obligations incurred net	286,880	4,030	24,050
Less: Gross outlays	272,908	3,887	23,185
Less: Recoveries of prior year unpaid obligations, actual	4,563	7	183
Change in uncollected customer payments from Federal sources	100	-	467
Obligated balances, net, end of period			
Unpaid obligations	56,696	140	2,535
Less: Uncollected customer payments from Federal sources	(8)	-	(207)
Total, unpaid obligated balance, net end of period	56,688	140	2,328
Net Outlays:			
Gross outlays	272,908	3,887	23,185
Less: Offsetting collections	13,220	-	16,711
Less: Distributed Offsetting receipts	99	-	-
Net Outlays	259,589	3,887	6,474

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Required Supplementary Information
Schedule of Budgetary Resources by Major Budget Accounts (in thousands)

Electronic Records Archives	NHPRC* Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
3,684	492	19,392	20,424	74,714
631	137	387	1,682	7,590
37,914	7,500	9,682	-	339,906
-	-	127	137,420	166,952
-	-	-	3,300	2,733
-	-	-	-	526
37,914	7,500	9,809	8,557	8,557
-	(2,000)	-	149,277	518,674
379	75	97	-	-
41,850	6,054	29,491	-	17,145
41,850	6,054	29,491	171,383	583,833
32,848	5,006	20,982	-	346,146
-	-	-	145,519	173,169
32,848	5,006	20,982	145,519	519,315
8,089	1,048	8,509	25,864	47,098
-	-	-	-	3,342
8,089	1,048	8,509	25,864	50,440
913	-	-	-	14,078
41,850	6,054	29,491	171,383	583,833
38,847	10,983	6,124	12,141	117,240
-	-	-	(9,153)	(9,935)
38,847	10,983	6,124	2,988	107,305
32,848	5,006	20,982	145,519	519,315
41,741	6,703	9,945	131,528	489,894
631	137	387	1,682	7,590
-	-	-	(11,856)	(11,289)
29,323	9,148	16,775	24,451	139,068
-	-	-	(21,009)	(21,224)
29,323	9,148	16,775	3,442	117,844
41,741	6,703	9,945	131,528	489,897
-	-	127	137,421	167,479
-	-	-	-	99
41,741	6,703	9,818	(5,893)	322,319

*National Historical Publications and Records Commission

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Required Supplementary Information
Schedule of Budgetary Resources by Major Budget Accounts (in thousands)

Fiscal Year 2005	Records and Archives- Related Services	Gift Fund	Trust Fund
Budgetary Resources			
Unobligated balance, brought forward October 1:	5,376	7,935	9,583
Recoveries of prior year unpaid obligations	13,969	92	1,552
Budget authority			
Appropriations	266,945	10,215	-
Spending authority from offsetting collections			
Earned			
Collected	9,677	-	16,209
Change in receivables from Federal sources	(295)	(46)	106
Change in unfilled customer orders			
Advance received	-	-	96
Without advance from Federal sources	-	-	(2)
Anticipated for rest of year, without advances			
Subtotal	276,327	10,169	16,409
Nonexpenditure transfer, net, anticipated and actual			
Permanently not available	14,338		
Total Budgetary Resources	281,334	18,196	27,544
Status of Budgetary Resources			
Obligations incurred			
Direct	265,547	13,573	16,579
Reimbursable	652	-	-
Subtotal	266,199	13,573	16,579
Unobligated balance			
Apportioned	667	-	-
Exempt from apportionment		4,623	10,965
Subtotal	667	4,623	10,965
Unobligated balance not available	14,468	-	-
Total Status of Budgetary Resources	281,334	18,196	27,544
Change in Obligated Balance:			
Obligated balance, net,			
Unpaid obligations, brought forward October 1	68,455	306	2,293
Less: Uncollected customer payments from Federal Sources, brought forward October 1	(403)	(46)	(569)
Total unpaid obligated balance, net	68,052	260	1,724
Obligations incurred net	266,199	13,573	16,579
Less: Gross outlays	273,397	13,783	15,467
Less: Recoveries of prior year unpaid obligations, actual	13,969	92	1,552
Change in uncollected customer payments from Federal Sources	295	46	(104)
Obligated balances, net, end of period			
Unpaid obligations	42,288	4	1,853
Less: Uncollected customer payments from Federal sources	(108)	-	(674)
Total, unpaid obligated balance, net end of period	47,180	4	1,179
Net Outlays:			
Gross outlays	273,397	13,783	15,467
Less: Offsetting collections	9,677	-	16,305
Net Outlays	263,720	13,783	(838)

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Required Supplementary Information
Schedule of Budgetary Resources by Major Budget Accounts (in thousands)

Electronic Records Archives	NHPRC* Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
6,689	1,679	18,153	13,091	62,506
876	251	4,819	5,771	27,330
35,914	5,000	13,432	-	331,506
-	-	2	142,365	168,253
-	-	-	(5,175)	(5,410)
-	-	-	-	96
-	-	-	(768)	(770)
35,914	5,000	13,434	136,422	493,675
287	40	108	-	14,773
43,192	6,890	36,298	155,284	568,738
39,508	6,399	16,906	-	358,512
-	-	-	134,861	135,513
39,508	6,399	16,906	134,861	494,025
3,490	491	19,392	-	24,040
-	-	-	20,423	36,011
3,490	491	19,392	20,243	60,051
194	-	-	-	14,662
43,192	6,890	36,298	155,284	568,738
32,155	12,240	20,902	20,924	157,275
-	-	-	(15,095)	(16,113)
32,155	12,240	20,902	5,829	141,162
39,508	6,399	16,906	134,861	494,025
31,940	7,405	26,865	137,873	506,730
876	251	4,819	5,771	27,330
-	-	-	5,943	6,180
38,847	10,983	6,124	12,141	117,240
-	-	-	(9,153)	(9,935)
38,847	10,983	6,124	2,988	107,305
31,940	7,405	26,865	137,873	506,730
-	-	2	142,365	168,349
31,940	7,405	26,863	(4,492)	338,381

* National Historical Publications and Records Commission

