

SECTION 4 OTHER ACCOMPANYING INFORMATION

INSPECTOR GENERAL'S ASSESSMENT OF MANAGEMENT CHALLENGES FACING NARA

Under the authority of the Inspector General Act, the NARA OIG conducts and supervises independent audits, investigations, and other reviews to promote economy, efficiency, and effectiveness; and to prevent and detect fraud, waste, and mismanagement. To fulfill our mission and help NARA achieve its strategic goals, we have aligned our programs to focus on areas we believe represent the agency's most significant challenges. We have identified those areas as NARA's top ten management challenges.

1. Electronic Records Archives

NARA initiated the Electronic Records Archive (ERA) program to address the challenge of ingesting, preserving, and providing access to our nation's electronic records for as long as needed. However, virtually since inception the program has been fraught with delays, cost overruns, and technical short comings and deficiencies identified by our office and the Government Accountability Office (GAO). In August 2010, the Office of Management and Budget (OMB) placed ERA on its high-priority list of 26 high-risk IT projects. On September 30, 2011, the development contract between NARA and Lockheed Martin Corporation concluded. However, many core requirements were not fully addressed, and ERA lacks the originally envisioned functionality.

The program has now transitioned to an Operations and Maintenance (O&M) phase under a 10-year, \$240 million contract with IBM. The O&M tasks to be performed by IBM, under a firm-fixed-price (FFP) arrangement, include: help desk operations, incident management, problem management, hardware and software maintenance, asset and configuration management, deployment management, capacity management, availability management, security services, backup and recovery services, and ingest operations. The contract also includes replacing and updating the technologies comprising ERA, and correcting and adapting ERA functionality as necessary to meet stakeholder needs. These additional tasks will be performed under Technical Direction Letters (TDL), which may be either FFP or time-and-materials (T&M) arrangements.

ERA faces many challenges going forward, including addressing increased volumes of data to be ingested and increased number of users to be supported now that ERA use is mandatory for all Federal agencies. However, the greatest challenge will be NARA's ability (with vendor support) to effectively meet stakeholder needs, while operating and maintaining a system whose development failed to meet core benchmark requirements and lacks originally envisioned capabilities. Further complicating this task, the Archivist testified to Congress that due to funding issues NARA will not be able to address concerns raised by ERA users and the OIG.

Audits, investigations, and reviews performed in FY 2013:

- Status on the Upgrade to the Electronic Records Archives Executive Office of the President System
- Audit of the Electronic Records Archives System's Ability to Preserve Records
- Status Update of the Electronic Records Archives Executive Office of the President System Upgrade
- Audit of ERA's Ability to Ingest Records
- Audit Memo –NARA's Handling of Paper-Based Disclosure of Personally Identifiable Information (PII)

2. Improving Records Management

Part of NARA's mission is safeguarding and preserving the records of our government, thereby ensuring people can discover, use, and learn from this documentary heritage. NARA provides continuing access to the essential documentation of the rights of American citizens and the actions of their government. The effective management of these records is key to accomplishing this mission. NARA must work with Federal agencies to ensure the effective and efficient appraisal, scheduling, and transfer of permanent records, in both traditional and electronic formats. The major challenge is how best to accomplish this component of our overall mission while reacting and adapting to a rapidly changing technological environment in which electronic records, particularly e-mail, proliferate. In short, while the ERA system is intended to work with electronic records received by NARA, we need to ensure the proper electronic and traditional records are in fact preserved and sent to NARA in the first place.

In November 2011, a Presidential Memorandum titled *Managing Government Records* was issued. This began a new Executive Branch-wide effort to reform records management policies and practices. In August 2012, the Office of Management and Budget (OMB) issued Memorandum 12-18, *Managing Government Records Directive*, creating a robust records management framework. This Directive requires agencies, to the fullest extent possible, to eliminate paper and use electronic recordkeeping. It is applicable to all executive agencies and to all records, without regard to security classification or any other restriction. This Directive also identifies specific actions to be taken by NARA, OMB, and the Office of Personnel Management (OPM) to support agency records management programs. Agencies must manage all permanent electronic records in an electronic format by December 31, 2019, and must manage both permanent and temporary email records in an accessible electronic format by December 31, 2016. NARA, its Government partners, and Federal agencies are challenged with meeting these deadlines, determining how best to manage electronic records in accordance with this guidance, and how to make ERM and e-Government work more effectively.

Audits, investigations, and reviews performed in FY 2013:

- Audit of the Electronic Records Archives System's Ability to Preserve Records
- Audit of ERA's Ability to Ingest Records
- Management Letter – The Management Control Environment Over Archival Operations at the National Archives at San Bruno, CA, Needs to be Urgently Addressed

3. Information Technology Security

The Archivist identified IT Security as a material weakness under the Federal Managers' Financial Integrity Act reporting process beginning in FY 2007 through FY 2011. NARA's Office of Information Services (I) conducted an independent assessment of the IT security program using the Program Review for Information Security Management Assistance (PRISMA) methodology developed by the National Institute for Standards and Technology (NIST) in FY 2007. The assessment stated NARA's policy and supporting procedures for IT security were weak, incomplete, and too dispersed to be effective. Over five years later, NARA officials continue to work to address weaknesses identified during the assessment.

IT security continues to present major challenges for NARA, including physical security of IT hardware, and technical vulnerabilities within our electronic systems themselves and how NARA operates them. Annual assessments of NARA's compliance with the Federal Information Security Management Act have consistently identified program areas in need of significant improvement. The confidentiality, integrity, and availability of our electronic records and information technology systems are only as good as our IT security infrastructure. A 2011 GAO report identified significant weaknesses in access controls and other information security controls. In FY 2012, an assessment performed by contractors identified multiple deficiencies with NARA's network architecture, many of which stem from the lack of strategic planning with regard to the redundancy and resiliency and overall design of the network. These issues not only allow for security and performance problems, but they inhibit NARA IT management from effectively establishing a tactical and innovative strategy for the next generation of NARA's network. Each year, risks and challenges to IT security continue to be identified. NARA must ensure the security of its data and systems or risk undermining the agency's credibility and ability to carry out its mission.

Audits, investigations, and reviews performed in FY 2013:

- Audit of NARA's Data Backup Operations
- Audit of NARA's Intrusion Detection and Prevention System and Incident Response

4. Expanding Public Access to Records

The records of a democracy's archives belong to its citizens. NARA's challenge is to more aggressively inform and educate our customers about the services we offer and the essential evidence to which we can provide access. Unfortunately, approximately 35 percent of NARA's textual holdings have not been processed to allow efficient and effective access to these records. To meet its mission, NARA must work to ensure it has the processes and resources necessary to establish intellectual control over this backlog of unprocessed records.

Another challenge for NARA, given society's growing expectation for easy and near-immediate access to information on-line, will be to provide such access to records created digitally (i.e., "born digital") and to identify those textual records most in demand so they can be digitized and made available electronically. ERA's diminished access capabilities compound this problem. NARA's role in ensuring the timeliness and

integrity of the declassification process of classified material held at NARA is also vital to public access.

Audits, investigations, and reviews performed in FY 2013:

- Management Letter – The Management Control Environment over Archival Operations at the National Archives at San Bruno, CA Needs to be Urgently Addressed
- Audit of NARA’s Processing of Textual Records
- Investigation: Facilitated the return of 6,466 documents to repositories across the country.
- The Archival Recovery Team (ART) recovered a Federal record authored by Major General George Custer that had been listed on the Missing Documents list.
- ART assisted NARA in recovering 18,163 photographs documenting implementation of the Marshall Plan in France.
- The Office of Investigations visited four NARA facilities to assess the researcher registration procedures used. The OIG issued a report detailing the conditions discovered, and proposing suggestions to improve the program.

5. Meeting Storage Needs of Growing Quantities of Records

NARA-promulgated regulation 36 CFR Part 1228, “Disposition of Federal Records,” Subpart K, “Facility Standards for Records Storage Facilities,” requires all facilities housing Federal records to meet defined physical and environmental requirements by FY 2009. NARA’s challenge is to ensure its own facilities, as well as those used by other Federal agencies, is in compliance with these regulations; and effectively mitigates risks to records which are stored in facilities not meeting these standards.

Audits, investigations, and reviews performed in FY 2013:

- NARA Archival Facilities

6. Preservation Needs of Records

NARA holdings grow older daily and face degradation associated with time. This affects both traditional paper records and the physical media upon which electronic records and audio/visual records are stored. Per management, preservation resources have not been able to adequately address the growth in holdings needing preservation action. Preserving and providing access to records is a fundamental element of NARA’s duties to the country, and NARA cannot provide access to records unless it can preserve them for as long as needed. The backlog of records needing preservation action continues to grow. NARA is challenged to address this backlog and future preservation needs, including the data integrity of electronic records. Further, NARA’s primary tool for preserving electronic records, the ERA system, has not delivered the functionality necessary to address record format obsolescence (see OIG Challenge #1). The challenge of ensuring NARA facilities meet environmental standards for preserving records (see OIG Challenge #5) also plays a critical role in the preservation of Federal records.

Audits, investigations, and reviews performed in FY 2013:

- Audit of the Electronic Records Archives System's Ability to Preserve Records
- Audit of NARA's Preservation Program

7. Improving Project Management

Effective project management, particularly for IT projects, is essential to obtaining the right equipment and systems to accomplish NARA's mission. Complex and high-dollar contracts require multiple program managers, often with varying types of expertise. NARA is challenged with planning projects, developing adequately defined requirements, analyzing and testing to support acquisition and deployment of the systems, and providing oversight to ensure effective or efficient results within costs. Currently, IT systems are not always developed in accordance with established NARA guidelines. These projects must be better managed and tracked to ensure cost, schedule, and performance goals are met.

As an example, GAO reported NARA did not document the results of briefings to its senior management oversight group during the development of NARA's largest IT project, the ERA program. There is little evidence the group identified or took appropriate corrective actions, or ensured such actions were taken and tracked to closure. Without adequate oversight evaluating project progress, including documenting feedback and action items from senior management, NARA will not be able to ensure projects are implemented at acceptable cost and within reasonable time frames. GAO also reports NARA has been inconsistent in its use of earned value management (EVM), a project management approach providing objective reports of project status and early warning signs of cost and schedule overruns. Inconsistent use of key project management disciplines like EVM limits NARA's ability to effectively manage projects and accurately report on their progress.

8. Physical and Holdings Security

The Archivist has identified security of collections as a material weakness for the agency. Document and artifact theft is not a theoretical threat; it is a reality NARA has been subjected to time and time again. NARA must maintain adequate levels of security to ensure the safety and integrity of persons and holdings within our facilities. This is especially critical in light of the security realities facing this nation and the risk our holdings may be pilfered, defaced, or destroyed by fire or other man-made and natural disasters. Not only do NARA's holdings have immense historical and financial value, but we hold troves of national security information as well. Developments such as the creation of the Holdings Protection Team and implementation of stricter access controls are welcome additions to NARA's security posture and should be commended. However, NARA must continually strive to improve in this area.

Audits, investigations, and reviews performed in FY 2013:

- NARA Archival Facilities
- Management Letter – The Management Control Environment over Archival Operations at the National Archives at San Bruno, CA Needs to be Urgently Addressed

- The Office of Investigations visited a Presidential Library to assess their archival security in the wake of a theft from the facility. Several issues were discovered and reported to NARA management.
- The Department of Justice (DoJ) filed informations on two former NARA employees for destruction of federal property

9. Contract Management and Administration

The GAO has identified Commercial Services Management (CSM) as a government-wide initiative. The CSM initiative includes enhancing the acquisition workforce, increasing competition, improving contract administration skills, improving the quality of acquisition management reviews, and strengthening contractor ethics requirements. Effective contract management is essential to obtaining the right goods and services at a competitive price to accomplish NARA's mission. NARA is challenged to continue strengthening the acquisition workforce and to improve the management and oversight of Federal contractors. NARA is also challenged with reviewing contract methods, to ensure a variety of procurement techniques are properly used in accordance with laws, regulations and best practices.

10. Management of Internal Controls

OMB Circular A-123, *Management's Responsibility for Internal Control*, explains management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. GAO has reported NARA has not established an enterprise risk management capability, thus reducing its ability to anticipate future challenges and avoid potential crises. Currently, the agency has not established an effective internal control program, and OIG audit recommendations from as far back as FY 2009 concerning an internal control program have yet to be implemented. Thus, NARA is vulnerable to risks that may not be foreseen or mitigated, and does not have the ability to self-identify and appropriately manage or mitigate significant deficiencies. Establishment of an internal control program is critical as it provides several benefits including (1) improved decision making, (2) risk identification, management, and mitigation, (3) opportunities for process improvement, (4) effective use of budgeted resources, and (5) strategic planning. NARA's challenge is to ensure the agency is in compliance with OMB Circular A-123; and to develop and fully implement an internal control program.

Audits, investigations, and reviews performed in FY 2013:

- Audit of NARA's Internal Control Program
- Management Letter – The Management Control Environment Over Archival Operations at the National Archives at San Bruno, CA, Needs to be Urgently Addressed

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT



FY 2013 STATEMENT OF ASSURANCE

Managers of the National Archives and Records Administration (NARA) are responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). I am able to provide a qualified statement of assurance that, with the exception of three material weaknesses, NARA's internal controls are achieving their intended objectives:

- (1) programs achieve their intended results;
- (2) resources are used consistent with NARA's mission;
- (3) programs and resources are protected from waste, fraud, and mismanagement;
- (4) laws and regulations are followed; and
- (5) reliable and timely information is obtained, maintained, reported, and used for decision making.

This assessment is based on results of audits and evaluations conducted by the Government Accountability Office (GAO), NARA's Office of Inspector General (OIG), internal control evaluations, and other evaluations conducted in NARA offices. This year's statement is also informed by the results obtained from the introduction of a more robust, comprehensive and systematic internal control program that became operational for the FY 2013 assurance statement period. I have also considered the advice of key management officials and the Inspector General concerning this statement of assurance.

The qualification in this assurance statement includes material weaknesses in holdings protection, artifact inventory controls in Presidential Libraries, and preservation of archival records. Efforts to fully resolve these material weaknesses are monitored by NARA's Management Controls Oversight Committee (MCOC), a senior oversight body, and results are reported directly to me.



David S. Ferriero
Archivist of the United States

FY 2013 REPORT ON INTERNAL CONTROLS

Background on FMFIA Requirements

The objective of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) is to provide reasonable assurance that "(i) obligations and costs are in compliance with applicable law; (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets." NARA's internal control objectives noted in the Archivist's statement of assurance are consistent with FMFIA objectives.

Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, requires that federal agencies report material weaknesses in the annual FMFIA report. This reporting is to include a summary of the corrective action plans, including a description of the material weakness, status of corrective actions, and timeline for resolution.

The following tables reflect the number of material weaknesses reported by NARA under Section 2 of FMFIA in recent years.

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit opinion	Unqualified
Restatement	No

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Overstatement of unfilled customer orders and available budgetary authority	0	0	0	0	0

SUMMARY OF MANAGEMENT ASSURANCES
EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Statement of Assurance: Unqualified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Overstatement of unfilled customer orders and available budgetary authority	0	0	0	0	0

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS
Statement of Assurance: Qualified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Holdings Protection	1	0	0	0	1
Information Systems and Technology Security	1	0	1	0	0
Presidential Libraries Artifact Inventory Controls	1	0	0	0	1
Preservation of Archival Records	1	0	0	0	1
<i>Total Material Weaknesses</i>	4	0	1	0	3

Holdings Protection

At the time it was identified as a weakness, management determined that actions would be taken in five broad areas: Policy and Procedures; Training; Security for Records Storage Areas; Internal Controls; and, Loss Prevention and Response. Since that time, numerous actions have been taken and a holdings protection team, consisting of nine staff, has been stood up.

Once initial actions were completed, this area was reassessed and additional actions were developed around the five phases of an internal control life cycle. All of the actions committed to in the action plan have been completed over the last several years. The focus now is on ensuring the controls put in place are adequately monitored and tested, and using the results of this monitoring and testing to adjust our approach to holdings security as necessary; and using a risk based approach to implement holdings protection measures at facilities outside the DC Metro area to make the greatest use of scarce resources.

Presidential Libraries Artifact Inventory Controls

First reported in FY 2008, the primary weaknesses were identified as (1) the lack of accurate and complete initial artifact inventories at presidential libraries, (2) lack of sufficient audit capability within the collections management database used by all libraries, and (3) lack of sufficient re-inventorying guidance. Since that time, great strides have been made in addressing weaknesses, and in FY 2013 NARA completed inventories for all presidential libraries and developed re-inventorying guidance. As the result of management's analysis of a FY 2013 follow up audit, management decided to add an action area to the plan for FY 2014.

In FY 2014 we will focus on two areas that we believe will allow us to downgrade or remove this as a Material Weakness: (1) complete implementation of the new collections management database and procedures for using its audit capability and (2) implement policy and procedures concerning how we manage anomalies discovered during the course of inventory.

Archival Records Preservation

In FY 2007, we identified a material weakness in archival records preservation. Every cultural institution faces an enormous need for additional preservation resources. NARA is no different – the volume of incoming archival records outpaces our ability to keep up with preservation needs and further challenges are presented with the proliferation of record formats, to include electronic records. We have effectively addressed preservation of the vast majority of our holdings by putting in place controls such as upgrading storage environments, compiling preservation needs data at the series level, establishing protocols for basic holdings maintenance work, and establishing protocols to protect records used in research rooms.

We have effective programs for treating endangered records in our conservation and special media labs and for digitizing records in all media. But, our capacity is overwhelmed by the volume of work needed. Therefore, we need renewed attention, new approaches, and possibly more resources directed to identify and then treat our holdings that are in imminent danger.

In FY 2013 we began a fundamental reassessment of this area, taking into consideration a recently issued OIG follow up audit of preservation. We anticipate developing a FMFIA action plan in FY 2014, overlapping the audit report action plan where feasible, developing a realistic definition of success in this area, and then monitoring progress against the action plan until the weakness has been sufficiently managed.