Preserving the Past to Protect the Future

2007 Performance and Accountability Report

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SECTION 1
MANAGEMENT'S DISCUSSION AND ANALYSIS

A Message from the Archivist of the United States

The National Archives and Records Administration (NARA) is our nation's record keeper. Every day we work to preserve and provide access to the records of our Government, whether those records are the Declaration of Independence, service records of military veterans, or documentation on homeland security issues that will make our country safer.

Throughout the history of our democracy, these records have been first-hand witnesses to the events that have shaped our country. They have documented the rights and entitlements of our citizens, and they have held our Government officials accountable to the people.

NARA's mission is vital to continuity of Government, homeland security, public trust, and national morale.

- We provide legal authority to many of the actions of the President and executive agencies through publication in the Federal Register, regardless of weather, terrorist attacks, or other emergencies that may close other Federal operations.

- We are leading the Federal Government in developing the new technology that will enable the Government to share electronic information across space and time, reducing the risk that critical intelligence will be lost in obsolete hardware and software.

- We act as First Preservers in times of emergency, assisting Federal, state, and local governments in saving their critical records, especially those that document the rights and entitlements of citizens.

- We serve a broad base of customers through a series of education, outreach, and partnership initiatives, contributing to civic literacy in America.

- We protect the plans, drawings, maps, and photographs of Federal facilities worldwide.

- We preserve and provide access to the military service records of 56 million veterans of our armed forces, ensuring that they and their families receive the benefits they have earned by defending our country.

- We protect and display the founding documents of our country—the Declaration of Independence, the Constitution, and the Bill of Rights—which more than a million people a year come to see because these Charters of Freedom are the heart of the democracy we cherish.

I am pleased to present the National Archives and Records Administration's Performance and Accountability Report for FY 2007, the first year of reporting against

our new ten-year Strategic Plan. This new plan reaffirms the soundness of many of our efforts still underway, but it also points us in some exciting new directions. Thanks to support from our stakeholders and partners and the efforts of our exceptional staff, we made progress on each of the goals of our Strategic Plan and our two material weaknesses. Our Strategic Plan directs us to attend to six goals—demonstrating leadership in managing the nation's records, preserving and processing records to ensure access, meeting electronic records challenges, expanding opportunities for access, increasing civic literacy, and equipping NARA to meet the needs of our customers. Our progress in these areas is detailed throughout this report.

I encourage you to read the report to discover the strides we have made in building an Electronic Records Archives that will serve the entire Federal Government, making it easier for our customers to find and order copies of records, our efforts that resulted in bringing the Nixon Library into our system of Presidential libraries, new declassification initiatives, some bold new steps to digitize some of our holdings for online access, and much more.

We have also made strides in ensuring that our resources are well managed with the proper oversight. I am able to provide a qualified statement of assurance that, with the exception of two material weaknesses, NARA's internal controls are achieving their intended objectives: programs achieve their intended results; resources are used consistent with NARA's mission; programs and resources are protected from waste, fraud, and mismanagement; laws and regulations are followed; and 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), the Office of Government Ethics (OGE), NARA's Office of Inspector General (OIG), management control evaluations, and other written evaluations conducted in the 12 NARA offices and staff organizations. It is also based on senior management's knowledge gained from the daily operations of NARA programs and systems. I have also relied upon the advice of the OIG concerning this statement of assurance.

While the work ahead is challenging, I am confident that our stakeholders and the public can be proud of their National Archives and Records Administration, which every day is protecting, preserving, and making available the essential documentation of our Government.

Allen Weinstein
Archivist of the United States

November 15, 2007

Introduction

This Performance and Accountability Report represents the culmination of the National Archives and Records Administration's (NARA) program and financial management processes, which began with strategic and program planning, continued through the formulation and justification of NARA's budget to the President and Congress and through budget execution, and ended with this report on our program performance and use of the resources entrusted to us. This report was prepared pursuant to the requirements of the Chief Financial Officers Act, as amended by the Reports Consolidation Act of 2000 and mandated by the Accountability of Tax Dollars Act of 2002, and covers activities from October 1, 2006, through September 30, 2007.

How to Use This Report

This report describes NARA's performance measures, results, and accountability processes for FY 2007. In assessing our progress, we are comparing actual results against targets and goals set in our annual performance plan, which we developed to help us carry out our Strategic Plan. Our complete set of strategic planning and performance reports is available on our web site at *http://www.archives.gov/about/plans-reports/.*

This report has four major sections:

- **Management's Discussion and Analysis**

  Look here for our agency-wide performance and use of resources in FY 2007. You also will find information on the strategies we use to achieve our goals and the management challenges and external factors that affected our performance.

- **Performance Section**

  Look here for details on our performance by strategic goal and long-range performance target in FY 2007. This section covers our targets, how and why we met or did not meet them, and explanations of how we assess our performance and ensure the reliability of our data.

- **Financial Section**

  Look here for details on our finances in FY 2007, our consolidated financial statements and notes, required supplementary information, and the reports from our external auditor and our Inspector General. Also included is information on our internal controls and an explanation of what kind of information each of our financial statements conveys.

- **Other Accompanying Information**

  Look here for our Inspector General's assessment of our agency's management challenges, our FMFIA report, and an update on last year's audit recommendations made by Clifton Gunderson, LLP.

About NARA

The National Archives and Records Administration is our national record keeper. An independent agency created by statute in 1934, NARA safeguards the records of all three branches of the Federal Government. Our job is to ensure continuing access to essential documentation and, in doing so, we serve a broad spectrum of American society. Genealogists and family historians; veterans and their authorized representatives; academics, scholars, historians, business and occupational researchers; publication and broadcast journalists; Congress, the Courts, the White House, and other public officials; Federal Government agencies and the individuals they serve; state and local government personnel; professional organizations and their members; students and teachers; and the general public—all seek answers from the records we preserve.

Our Vision

As the nation's record keeper, it is our vision that all Americans will understand the vital role records play in a democracy, and their own personal stake in the National Archives. Our holdings and diverse programs will be available to more people than ever before through modern technology and dynamic partnerships. The stories of our nation and our people are told in the records and artifacts cared for in NARA facilities around the country. We want all Americans to be inspired to explore the records of their country.

Our Mission

The National Archives and Records Administration serves American democracy by safeguarding and preserving the records of our Government, ensuring that the people can discover, use, and learn from this documentary heritage. We ensure continuing access to the essential documentation of the rights of American citizens and the actions of their government. We support democracy, promote civic education, and facilitate historical understanding of our national experience.

Our Strategic Goals

NARA's strategic goals are set forth in our new 10-year Strategic Plan, published in September 2006, which covers the period FY 2007 through FY 2016. This new plan acknowledges recent achievements, assesses new challenges facing us, and commits us to measure our value to the taxpayer by setting aggressive outcome-oriented performance targets.

Our six strategic goals are:

1:     As the nation's record keeper, we will ensure the continuity and effective operation of Federal programs by expanding our leadership and services in managing the Government's records.

2:     We will preserve and process records to ensure access by the public as soon as legally possible.

3:     We will address the challenges of electronic records in Government to ensure success in fulfilling NARA's mission in the digital era.

4:      We will provide prompt, easy, and secure access to our holdings anywhere, anytime.

5:      We will increase access to our records in ways that further civic literacy in America through our museum, public outreach, and education programs.

6:      We will equip NARA to meet the changing needs of our customers.

Our Organizational Structure

We carry out our mission through a national network of archives and records services facilities stretching from Washington, DC, to the West Coast, including Presidential libraries documenting administrations back to Herbert Hoover. Additionally, we publish the *Federal Register,* administer the Information Security Oversight Office (ISOO), and make grants for historical documentation through the National Historical Publications and Records Commission (NHPRC). We preserve and make available, in response to hundreds of thousands of requests, the records on which the entitlements of citizens, the credibility of Government, and the accuracy of history depend. More and more people are using our services and gaining access to our records through the Internet, whether by requesting copies of records through our Inquire form at *Archives.gov*, commenting on regulations at the Government-wide site *Regulations.gov*, searching online databases of records and information, or engaging in a host of other activities through *Archives.gov*. We continue to encourage this trend, by adding online services and fully participating in several of the President's e-Government initiatives, so that citizens everywhere have access to our vast holdings. The organizational chart in figure 1 provides an overview of NARA's structure.

Antonio Lupetin of Long Island needed his Army separation papers, so he wrote to the National Personnel Records Center in St. Louis, as many veterans do. The request was turned over to staffer Ricky Moe, who turned up not only the desired document, but also a letter to Lupetin in 1965 that was marked "Return to Sender." Moe forwarded the unopened letter as well as the separation papers to Lupetin. The letter contained Lupetin's honorable discharge certificate as well as a letter of appreciation for his military service, which he plans to frame for his grandchildren. In a letter to NPRC, he expressed his "overwhelming appreciation and happiness."
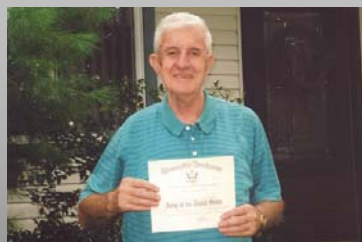
Antonio Lupetin and a long-lost letter containing valuable information. (Photo courtesy Antonio Lupetin)

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          │ (N)            │ │ Office     │ │ and        │ │ General    │
          │                │ │ (ISOO)     │ │ Records    │ │ (OIG)      │
          │ Allen Weinstein│ │            │ │ Commission │ │            │
          │                │ │ Director   │ │ (NHPRC)    │ │ Inspector  │
          │                │ │ J. William │ │            │ │ General    │
          │ Deputy         │ │ Leonard    │ │ Executive  │ │I. Paul     │
          │ Archivist of   │ │            │ │ Director   │ │ Brachfeld  │
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Archivist of the United States (N)	Information Security Oversight Office (ISOO)	National Historical Publications and Records Commission (NHPRC)	Office of the Inspector General (OIG)
Allen Weinstein Deputy Archivist of the United States / Chief of Staff (ND) Lewis J. Bellardo	Director J. William Leonard	Executive Director Max J. Evans	Inspector General I. Paul Brachfeld

Policy and Planning Staff (NPOL) Director Susan M. Ashtianie	Congressional Affairs and Communications Staff (NCON) Acting Director Susan Cooper
General Counsel (NGC) General Counsel Gary M. Stern	**EEO and Diversity Programs (NEEO)** Director Robert D. Jew

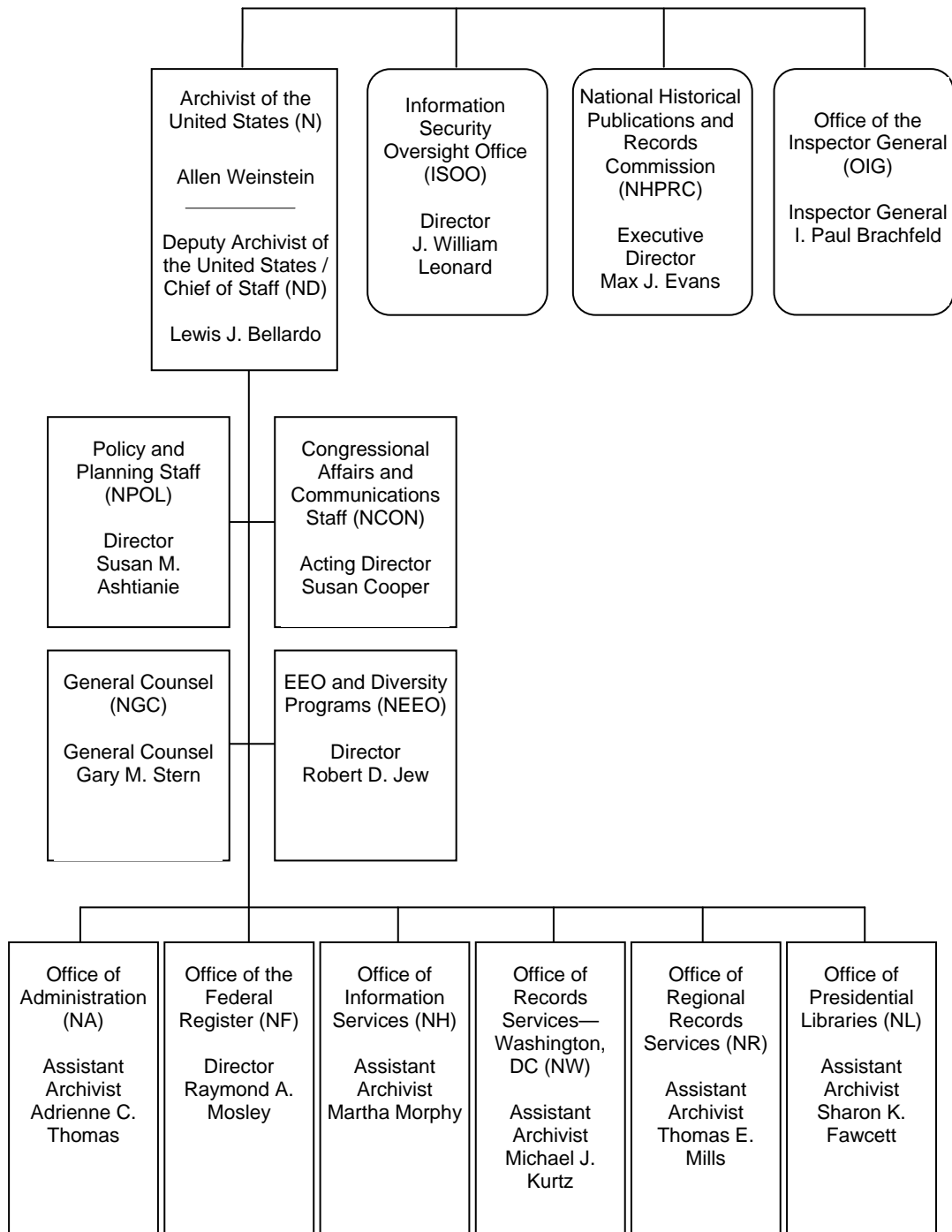| Office of Administration (NA) Assistant Archivist Adrienne C. Thomas	Office of the Federal Register (NF) Director Raymond A. Mosley	Office of Information Services (NH) Assistant Archivist Martha Morphy	Office of Records Services—Washington, DC (NW) Assistant Archivist Michael J. Kurtz	Office of Regional Records Services (NR) Assistant Archivist Thomas E. Mills	Office of Presidential Libraries (NL) Assistant Archivist Sharon K. Fawcett

Figure 1. NARA's Organizational Structure

NARA's Challenges and Management's Actions to Address These Challenges

We at the National Archives and Records Administration (NARA) take our job of serving the public seriously. Never before have we played such an indispensable role in our Government. We are doing this work in the face of multiple challenges that affect the entire Government and our citizens.

- As a Federal agency, NARA must deal with new and evolving concerns about security, continuity of operations, and emergency preparedness. Additionally, continuity of Federal operations depends on the records of government. Protecting, recovering, and making these records available will require new, more flexible solutions.

- The dramatic emergence of an electronic Government has brought to the fore new records management issues that have implications far beyond our Government. Inspired by the challenges of electronic records, NARA is transforming itself from an agency that manages predominantly paper to a leader in electronic records management.

- Deterioration of both the holdings that NARA must keep for posterity and the facilities in which they are housed is a fact of life. We must address with a steady hand the never-ending challenge of maintaining, securing, and preserving our holdings—paper, electronic, special media and artifacts—and our infrastructure—both physical facilities and information technology.

Our mission includes ensuring that Government officials and the American public have continuing access to the essential documentation of the rights of American citizens and the actions of their Government, and this mission puts us at the very heart of intergovernmental electronic communication challenges.

Whether publishing the *Federal Register*, protecting the vital records assets of Federal agencies nationwide, serving America's veterans, meeting the challenges of electronic records, or displaying our nation's Charters of Freedom—the Declaration of Independence, the Constitution, and the Bill of Rights—NARA plays a critical role in keeping America safe, secure, and focused on our democratic ideals.

The following are just a few examples of the ways in which the Government and the public are relying on NARA to meet vital needs.

- The *Federal Register* must be published each business day, regardless of weather, terrorist attacks, or other emergencies that may close other Federal operations. Publication, even during emergencies, is critical because many of the actions that Executive departments and the President need to take require the legal authority that comes from publication in the *Federal Register*.

- NARA responds to more than one million requests a year about Official Military Personnel Files (OMPF). Many of these requests come from veterans, their families, or organizations working on behalf of veterans to verify their military service, apply for benefits, or research medical conditions. A veteran's ability to obtain a job, housing, or medical care often depends on our ability to meet their information needs quickly.

- NARA protects the essential records of hundreds of Federal agencies and courts as well as the records of the Congress, the Supreme Court, and 12 Presidential administrations in 37 facilities nationwide. These records include everything from highly classified National Security Council policy memorandums to congressional committee records to architectural drawings of Federal facilities to satellite photographs of major cities to the tax returns of individual Americans. All of this information and more is saved for as long as needed because it is essential for the effective operations of our government, protecting the rights and entitlements of our citizens, understanding past decisions and informing future policy choices, holding appropriate officials accountable for their actions, and ensuring the safety and security of our country.

- Our greatest challenge is to ensure that valuable electronic records—from electronic OMPFs to geographic information systems to State Department cable files to transportation security databases—are managed and preserved over time so that key information is not lost in obsolescent hardware and software. To meet this challenge, NARA is developing the Electronic Records Archives (ERA), a revolutionary system that will capture electronic information, regardless of its format, save it permanently, and make it accessible on whatever hardware or software is currently in use.

Let us turn to the specific challenges NARA faces:

Records Management, and specifically, Electronic Records Management. In this world of exponentially increasing volumes and formats of electronic records, having the ability to find, manage, use, share, and dispose of records—which is the essence of records management—is vital for the efficient and effective functioning of the Federal Government. Records management is an essential component of knowledge management, and yet records and information are rarely managed as agency business assets. Records management remains an area for improvement in many agencies. This undermines the authenticity, reliability, integrity, and usability of Federal records and information essential for Government business, particularly electronic Government and public use.

This Government-wide challenge requires collaborative, creative solutions with benefits that are obvious to Federal agencies. That is why we are undertaking a multi-faceted approach to improving Federal records management through a suite of strategies, policies, standards, and tools that facilitate the effective and efficient management of Federal records. Ultimately, records management

Yukio Morita, a history professor from Toyama City, Japan, came to the NARA-Rocky Mountain Region in Denver last spring, waving a printer's proof of a chapter of his new book about World War II Japanese-American internment camps. The chapter was the direct result of a tip from NARA archivist Eric Bittner five years earlier that federal court files at Rocky Mountain contained records about criminal charges brought against 63 internees at the Heart Mountain Relocation Center. Morita was so interested that he made the story of the trial of the internees a full chapter in his book.

The cover of Yukio Morita's book. (Photo courtesy Yukio Morita)

should become so seamlessly integrated into agencies' business processes that it becomes second nature; and information is easy to find in a usable form. Getting to this outcome requires that we both transform our own records management program and records management across the Government. We have three major areas of focus in our records management activities:

- Strategic Directions for Federal Records Management—a series of coordinated strategies to transform NARA's approach to Federal records management.

- E-Government Initiatives—these include the ongoing Electronic Records Management E-Government Initiative and initiatives to support agencies in implementing the requirements of section 207(e) of the E-Government Act of 2002.

- Electronic Records Archives (ERA)—the key tool that will allow NARA and Federal agencies to manage, preserve, and have access to electronic records.

Information Technology. The pace of technological change and innovation challenges the entire Federal Government. At the same time these changes offer wide-ranging opportunities for improved information management. Information technology— particularly the World Wide Web—has become integral to providing government services and moving the Federal Government's immense stores of information and services out of the "back office," onto the Internet, and into the home and business sectors. As a result, customer expectations have mounted for more new and expanded online services. Our Strategic Plan acknowledges that we must be equipped to meet these changing needs and expectations. As NARA moves to fully embrace e-Government and seize new technological opportunities, we must be able to quickly adapt to new technologies and leverage technical expertise to meet expectations for quality service.

We have three primary areas of focus in meeting this larger challenge:

- IT security: This challenge, shared by all Federal agencies, is constantly evolving, particularly as the demand for electronic services increases, portable media devices proliferate, and more business is transacted over the Internet. We continue to work to strengthen and protect our infrastructure against viruses and unauthorized intrusions. In our FMFIA report this year, we have declared a material weakness in our IT security program, driven in large part by immaturity of the program.

- Strengthening our IT infrastructure: We will continue to make strategic investment decisions to ensure that our IT infrastructure evolves to support the changing IT environment. This environment must support NARA's business and ever-increasing customer needs.

- ERA deployment: A major challenge for NARA is the design, development, and implementation of a system that will aid in the Federal Government's ability to manage, preserve, and access its electronic records well into the future. Proper oversight and use of industry and government best practices are key to our ability to deploy a usable ERA in a timely and cost effective manner.

Records Access. Central to NARA's mission is our ability to provide the records of the Federal Government to the citizens, to whom the records belong. A major challenge to

efficiently accomplishing this goal is the sheer volume of unprocessed materials—both classified and unclassified—that awaits our attention. This problem is not unique to NARA, but exists at archival institutions around the world. We have made some adjustments to our resources to address this problem in the Washington, DC, area, and continue to study the scope of this situation in our regions and Presidential libraries. We are looking for ways to streamline and speed our processing methods, while at the same time examining more effective and efficient ways to apply the resources needed to meet this challenge.

Declassification review is an integral part of the processing NARA must do for the classified records it holds. Federal agencies have a deadline of December 31, 2009, to review and resolve (by declassifying or exempting) their equities in security-classified documents more than 25 years old that have been referred to them by other agencies. There are more than 400 million pages of classified Federal records at NARA that were reviewed by agencies between 1995 and 2006. Of these, about 80 million pages contain referrals to other agencies that must be acted on before the 2009 deadline. Many of these documents must be reviewed by two or more agencies. Our challenge is to make these documents available to the agencies in a systematic fashion to enable them to accomplish their missions, permanently protect valuable Federal records, and prevent unauthorized releases of information that still meets the standards for continued classification. Our National Declassification Initiative, a multi-agency effort to carry out declassification requirements of Executive Order 12958, as amended, for Federal records, is a significant step toward addressing this challenge. (*For more information, see page 21*).

Finally, classified records in our Presidential libraries pose a huge challenge for us because they are often extremely sensitive, filled with multiple equities, and highly sought after by Government officials and the public. The Reagan Library holds the next Presidential collection subject to a declassification deadline under the Order and has textual classified holdings of approximately eight million pages. This represents more classified pages than all of the previous libraries combined. Previously, we implemented the Remote Archives Capture (RAC) Project, a collaborative program with the CIA and other classifying agencies through which classified Presidential materials at field locations are electronically scanned and sent to Washington for review by equity-holding agencies. So far, this project has scanned more than three million pages from the Truman, Eisenhower, Kennedy, Johnson, Nixon, Ford, and Carter Libraries, but the dramatic increase in volume of classified records from the Reagan administration presents significant challenges to our ability to facilitate the declassification of these important materials and comply with the deadlines set forth in the Order.

NARA Holdings Summary
FY 2007

	Artifacts (items)	Traditional Holdings (cu. ft.)	Electronic Holdings (LDR*)
Washington, DC, Area Archives	1,488	2,394,344	4,701,604,189
Regional Archives	0	707,612	0
Records Centers	0	25,670,659	0
Presidential Libraries	542,056	234,607	35,308,040
Affiliated Archives	0	12,425	0
TOTAL	**543,544**	**29,019,647**	**4,736,912,229**

*LDR=Logical Data Records

Facilities. Our 37 facilities are our first line of defense for records preservation. Providing appropriate physical and environmental storage conditions is the most cost-effective

means to ensure records preservation. Yet operating costs—rent, security forces, and utilities—have risen in recent years and show little sign of abatement. We face an ongoing challenge to ensure that all of our facilities meet necessary standards for the storage of records, particularly archival records. We also must ensure that other entities that store Federal records comply with existing facility standards. Our Strategic Plan includes several strategies for meeting our goal to preserve all records in an appropriate environment for use as long as needed. Our ability to meet our storage and preservation challenges will be a key factor in the future course of our agency.

Security. We store more than 29 million cubic feet of Federal records and Presidential materials in our nationwide facilities. We have the vital responsibility to protect these records, the staff who care for them, and the public who visit our facilities to use them. To do this, we must be able to face multiple types of threats and we must plan for emergencies that could leave our facilities vulnerable or require us to provide shelter for staff and the public.

Barry Wong, a San Francisco firefighter, knew his family had come from China and entered the United States through Angel Island in San Francisco Bay. But he wanted to know more, so he came to NARA-Pacific Region in San Bruno for help. There, archivist Bill Greene took "a few clues" that Wong offered and came up with a treasure trove of previously undiscovered files and information about Wong's family—including the fact that his grandfather had two siblings he didn't know about, who showed up in a photograph of his great-grandfather's family that Greene discovered in the files.

Barry Wong's family (Photo from the National Archives, Pacific Region)

Currently, NARA has a material weakness in collections security. We are responsible for the security of billions of records, and we do not have item-level control over our holdings—nor can we ever expect to. Because these records belong to the American people, however, they cannot simply be locked away in inaccessible vaults. We have three primary challenges in this area:

- We must provide quality services to our customers while instituting reasonable internal controls to prevent theft. We must also maintain documentation to support the recovery of missing holdings and subsequent prosecution of those who would steal records that belong to all Americans.

- We must take every reasonable measure possible to limit access to sensitive records and act quickly to coordinate recovery efforts with appropriate law enforcement as needed.

- We must protect and safeguard our facilities, the staff who work in our facilities, and the people who visit our facilities to mitigate the potential for damage and destruction through both natural and deliberate acts.

At the Reagan Library, First Lady Laura Bush tours The Heart Truth's First Ladies Red Dress Collection. The Heart Truth, sponsored by the National Heart, Lung, and Blood Institute, is a national campaign to raise awareness about women and heart disease. The red dress is the campaign's symbol, and Mrs. Bush is its ambassador. (Photo courtesy Freeze Frame and the Reagan Foundation.)

Having an effective security posture requires that we take a big picture, holistic view of all our facilities and holdings. We are making strong gains in the comprehensive plan to address our collection security weakness. For more information, refer to our Federal Manager's Financial Integrity Act report in Section 4, Other Accompanying Information.

Civic Literacy. Throughout America's history, each generation develops the basic ideas and values of their Government, society, culture, and the way they interpret history. This generational development of civic literacy is an important characteristic of how society evolves for the future. NARA plays a unique and important role in this evolution. We safeguard the facts of history. Access to these holdings is the right of all Americans. Yet the volume and value of this information is not always apparent to the public. We see it as an essential mission of this agency to make the public aware of the materials we hold for them and to educate them about how to use these primary sources, a proven tool for advancing civic literacy. Through the power of the Internet, learning experiences through exhibits, programs, and events, as well as an initiative to bring learning materials to the classroom, NARA is working to promote civic literacy. We are assisted by partners and volunteers who are key to this advocacy.

Preservation. As noted earlier, our storage facilities are our first line of defense for preservation of our holdings and are the most cost-effective way to preserve records. However, we face challenges in preservation that storage alone will not solve. Over the last decade, NARA's electronic holdings have grown 100 times faster than traditional paper records. These records are created in a wide variety of formats—email, databases, audio files, web pages, digital images, satellite imagery—and many more. And they are increasingly complex; for example, e-mails have attachments and web pages are made up of many files and documents embedded in them. Our goal with the Electronic Records Archives is to preserve these records, ensure their authenticity, and make them available far into the future.

Agency-wide assessments of our textual and non-textual holdings indicate a significant backlog of preservation work is required. At this time, 70 percent of the holdings—more than two million cubic feet of records—need one or more kinds of preservation. The backlog will require many decades to be addressed. We are prioritizing preservation work to address the most urgent needs first and have improved our internal controls so we have better visibility into the problem, but the backlog will take time to address.

Another preservation challenge we face is that the marketplace is forcing the use of digital technology through the discontinuation of analog materials, supplies, and equipment. More than 16 million items in NARA's holdings are in analog formats,

which we reformat periodically to preserve the original records and make copies for access. The transition from analog to digital has already taken place for audio recordings and other tapes that use a magnetic signal. Major photographic manufacturers are reducing or eliminating traditional analog product lines. Soon, few, if any, of the photographic and other analog products will be available for reformatting original records. NARA needs to make the transition from analog to digital processes over the next several years. Rather than seeing this as another hurdle, we are viewing this as an opportunity to partner with the private sector to help us digitize the records, and take the next step of making many of these holdings available via the Internet.

Staff. The Federal Government is looking to NARA, as the nation's record keeper, to deliver creative, entrepreneurial solutions for these challenges. We must respond to this call for leadership if we want to actively deliver value and innovation rather than simply react to the changes taking place around us. To do this, we must ensure that our staff has the skills and competencies needed to provide leadership in records services in the 21st century, and we must ensure that the systems and processes we use to acquire and manage our staff are efficient, streamlined, flexible, and appropriate for today's modern workforce.

Our Strategic Plan commits us to hiring, developing, sustaining, and retaining staff according to the competencies needed to achieve our strategic goals. In addition, the President's Management Agenda and Human Capital Assessment and Accountability Framework instruct agencies likewise.

Our future success as the Government's leader for records services will depend in large part on the staff that we hire today. We must ensure that we have the right people in the right positions at the right time to move the agency forward.

Finally, we are committed to working with our Inspector General (IG) to identify and address significant challenges. The Inspector General's Top 10 Management Challenges, which are highlighted in the IG's semiannual reports to Congress and include the audits, investigations, and reviews they have undertaken to identify and address them, are included in the full version of this report at *www.archives.gov/about/plans-reports/performance-accountability/.*

Irina Ostroborodina left her native Kharhov, USSR, for safer grounds at the beginning of World War II. She returned in 1943 to a destroyed home, where she lived in a damp basement for 27 years and developing severe rheumatoid arthritis. As a Nazi victim, she was eligible for a one-time payment from the German government but did not seek it because she "did not want to look back. It was too painful."

Wheel-chair bound and a U.S. citizen since 1986, she asked NARA-Southeast Region in Atlanta to document her name change to Irene Ost to receive the German payment. Archivist Rob Richards found the document, and she received her payment.

Irene Ost (Photo courtesy Irene Ost)

Performance Highlights

Spotlight on Digitization

Technology and Partnerships Make Records More Accessible

Just a few years ago, NARA researchers would not have expected to be able to view our holdings online. Almost all of our documents have only been available in the archival facility in which they are stored and researchers would have to visit the facility or request copies of documents by mail for a fee.

Today the public routinely expects and increasingly demands to find the information they want on their computer screen. Users expect the records they need to be available online; however, digitizing billions of pages of records is a daunting task that far exceeds our resources. Fortunately recent technological advances (including our Electronic Records Archives), rising customer expectations, and the availability of potential partners are enabling NARA to pursue selected digitization of our holdings, dramatically increasing the dissemination and use of the Government records we hold.

Digitization projects will allow easier public access to the vast holdings of the National Archives and Records Administration. (Photo by Maureen McDonald)

To improve public access, NARA has created a central inventory of all our archival holdings—the Archival Research Catalog (ARC). ARC is available on our web site *archives.gov/arc* and currently includes descriptions of 56 percent of our textual holdings, 57 percent of our artifact holdings, 99 percent of our electronic holdings, and more than 125,000 digitized copies of holdings.

NARA's approach to digitizing will use a combination of four strategies to make as many holdings as possible available online.

First, NARA is gathering and making available on the web archival materials that have already been digitized in the course of performing agency functions, but have not yet been made available online.

Second, NARA is partnering with organizations from both the public and private sectors to digitize and make holdings available. These partnerships are non-exclusive, meaning there may be multiple digitizing partners for different sets of materials, and NARA will retain the originals and all copyrights on the digital images. Because our holdings are a

public resource, NARA will publicize and solicit comments on proposed partnerships before they are signed.

In FY 2007, NARA partnered with iArchives/Footnote to digitize selected records from our holdings, with an initial focus on records that are available on microfilm. This non-exclusive agreement enables researchers and the general public to access millions of newly-digitized images of NARA records on a subscription basis from the Footnote web site. The digitized materials are also available at no charge in NARA public research rooms at the Presidential Libraries, in Washington, DC, and at regional archives across the country. More than 15 million digital images of NARA's holdings are available on Footnote.com. Work is currently underway so that descriptions in ARC will point users to the digital images available on the Footnote website. NARA will get a copy of the digitized files and, under the agreement, has the rights to make these images available through the National Archives web site in five years.

Also this year, NARA has a nonexclusive agreement with CustomFlix Labs (recently renamed CreateSpace), part of the Amazon.com, Inc., group of companies, to make historic films from the National Archives available for purchase on Amazon.com. Initially, NARA will use the CustomFlix service to make available its collection of Universal Newsreels, dating from 1929 to 1967, as well as other World War II era newsreels. CustomFlix will create approximately 200 titles each month; descriptions in ARC will point users to the digital images available on the CreateSpace website.

Third, we are undertaking new digitizing projects on our own, focusing on materials that are not requested by partners or not appropriate for partnerships. Segments of NARA's holdings are too fragile and deteriorated, too valuable, or too complex to be candidates for digitization by partners. For example, we might digitize "at-risk" material that needs special treatment or high-interest material for which no partner can be found. These projects can take a variety of forms, with a variety of funding sources. The level of expertise and standards for the digitization of these most fragile, important, and complex records places the responsibility on NARA for digitization.

Finally, we are pursuing digitization of archival materials as part of our preservation program. NARA holds special records that were made on media formats that are now obsolete and must be digitized without delay to ensure that we can retain their information and provide access. These records require special handling, specialized and technical digital reformatting, and expert preservation treatment to ensure preservation and good digital capture.

The idea that an individual could almost instantly view a record from NARA's holdings was once unimaginable. Today, with the help of technology and partners who understand the importance of records, digitization of selected holdings is one way NARA can improve access to the records of our Government anywhere and at anytime.

To find out more . . .

- About NARA's Plan for Digitizing Archival Materials for Public Access, visit *www.archives.gov/comment/digitizing-plan.html*.

- About NARA's Archival Research Catalog, visit *www.archives.gov/research/arc/*.

- About NARA's Electronic Records Archives (ERA), visit *www.archives.gov/era/*.

- About CreateSpace products, visit *www.createspace.com*.

- About NARA holdings available through Footnote.com, visit *www.footnote.com*.

Spotlight on Civic Literacy

NARA Programs Foster Understanding of American History

The busload of high school students chatted noisily as they swarmed into the waiting area of the Rotunda for the Charters of Freedom at the National Archives Building in Washington, DC. Their wait punctuated with impatient jokes, peals of laughter and audible attempts by teachers and chaperones to quiet down, the group appeared focused on anything but the Declaration of Independence, Constitution, and Bill of Rights that lay encased nearby.

But as the teenagers climbed the marble stairs of the Rotunda to see the Charters, they became suddenly solemn, as they discovered what thousands of visitors to the National Archives do each year – that the freedom declared in writing more than 230 years ago, the government foundations laid out by the first Americans, and the rights ensured to all citizens are still relevant today.

At the National Archives, simply giving access to our holdings isn't enough. We are committed to providing opportunities for the public to see, use, and learn from the records of our government and in doing so develop a greater understanding of the history, culture, values, and ideas that have shaped our nation. It is vital that the raw documentary facts we process, preserve, and store—10 billion pieces of paper and, in the future, many terabytes of electronic records—have meaning for the American people to whom they belong.

Donning white gloves and studying documents with a magnifying glass encourages Learning Center visitors to notice details and explore further. (Photo by Scott Suchman)

Without a basic level of civic literacy among the American people, all of the records we preserve and make easily available to everyone would matter little to a citizenry that has lost touch with its own history. If the American people do not maintain a solid and respectable measure of civic literacy, however, they will not be able to understand or use these records effectively. For that reason alone, NARA considers civic education essential and an important element of our overall mission and goal.

With these thoughts in mind, the mission of "civic education" is embedded in NARA's new Strategic Plan. One of our six strategic goals reads: "We will increase civic literacy in America through our museum, public outreach, and education programs." In FY 2007, we made great progress toward furthering this goal through numerous innovative programs and partnerships with organizations who share our goal.

In Washington, D.C., our Learning Center is now fully open, focusing on NARA's efforts to help teachers make the study of history, civics, and social studies more engaging, interesting, and important for students through the use of primary documents. The

Learning Center has two components—a ReSource Room and a Learning Lab. In the ReSource Room, opened in April 2006, teachers and parents can obtain facsimiles of historic documents, preview materials for sale in the Archives Shop, and exchange ideas about teaching history. In the Learning Lab, opened in early 2007, middle and junior high school students can participate in new interactive workshops, and teachers can be trained in how to use documents in the classroom. We are also developing a special web site linked to the Learning Center.

For nearly 30 years, NARA has conducted the "Primarily Teaching" summer institutes at the National Archives Building in Washington, DC. The goal of the program is to teach teachers how to conduct research in our holdings so they can creatively integrate historical documents into classroom instruction. This past summer, NARA's education specialists offered "Primarily Teaching" workshops at eight locations around the country: at the main building in Washington; at regional archives in Laguna Niguel (California), Fort Worth (Texas), and Waltham (Massachusetts); and at the Eisenhower, Johnson, Ford, and Bush Presidential Libraries.

Other longstanding education activities and partnerships include our involvement in National History Day—at the local, state, and national levels—and in "Teaching American History" grant projects funded by the Department of Education, in which staff in Washington, at many of the Presidential Libraries, and at regional archives around the country all participate.
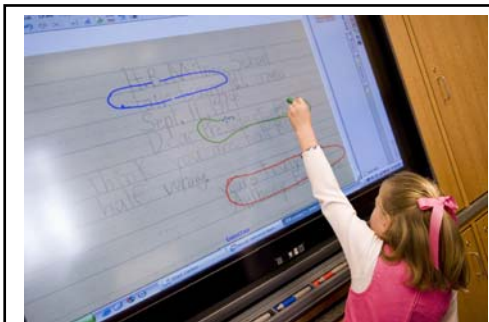
In Teaching with Documents workshops, NARA staff models ways to teach historical thinking skills such as document analysis. The SmartBoard in the ReSource Room allows for very engaging document analysis – kids in particular love it. (Photo by Scott Suchman)

In Washington, D.C., NARA has made a special commitment to the District of Columbia's National History Day program. It is important that school children and educators in the nation's capital can tap into NARA's invaluable resources as part of their participation in National History Day. Recognizing the growing National History Day programs in all 50 states, Presidential Libraries and regional archives have become leaders in their communities, coordinating and hosting state and local competitions and providing student/parent workshops that offer tips for students as they develop their projects. For example, in Philadelphia, NARA's Mid Atlantic Region leads a coalition of 30 history organizations in revitalizing the city's National History Day Program, which was dormant for years.

Taking our civic literacy efforts directly into homes, we have partnered with the "Mini Page," which is syndicated in more than 400 newspapers around the world and reaches millions of children and their families. Last year, our education team in Washington and "Mini Page" editors produced a well-received, nine-part series on the U.S. Constitution, and this year they are working together on a seven-part series about the Bill of Rights.

The highly successful exhibit at the National Archives Building, "Eyewitness: American Originals from the National Archives," has taken to the road for two years, starting at the Carter Library in Atlanta. Future stops include the Ford and Nixon Presidential Libraries, as well as institutions in Pennsylvania, Texas, and Nebraska.

A new exhibit, "School House to White House," featuring artifacts, documents, and video from all 12 Presidential Libraries is open in the Lawrence F. O'Brien Gallery through the end of this year. Examining the early education of Presidents from Herbert Hoover to William J. Clinton, the exhibit appeals to both kids and those who are "kids at heart." In 2008 it begins a tour at the Eisenhower and Carter Presidential Libraries.

A young Bill Clinton stands far left in Miss Mary's Kindergarten in Hope, AR. This photo is part of the exhibit, "School House to White House." (Photo courtesy the Clinton Library)

At Federal Hall National Memorial in New York City, NARA and its partner, the National Park Service, are developing a permanent exhibit that will feature historic documents related to New York City as the nation's first capital under the U.S. Constitution. In Atlanta, the Southeast Regional Archives opened a new temporary exhibit gallery, presenting "The Way We Worked," a NARA photographic exhibit.

Also in 2007, the Presidential Libraries partnered with C-SPAN to present a 12-part series titled "Presidential Libraries: History Uncovered," that offers a first-person view of the modern Presidency from the men who held office and those who served around them. Viewers have the opportunity to see the evolution of the modern presidency with extensive use of never- or rarely-seen film, video, private home movies, sound recordings, photographs, documents and artifacts collected from inside the Libraries' vaults. The Libraries have developed related educational programming including a teacher workshop co-taught in partnership with C-SPAN.

On the Internet, you'll find a new interactive "Presidential Timeline," which gives users one portal to discover an impressive array of digitized assets including audio, video, and original records from all 12 Presidential Libraries of the National Archives. Launched in February 2007, the timeline allows users to learn what an American president was doing on any particular day from 1929 to the present. Educators from across the country use the Presidential Timeline and accompanying learning activities to give their students far greater insight into national and world events than merely reading about them in a textbook.

The "civic literacy" role is a cornerstone of the National Archives, and at our locations in Washington, DC, and in regional archives and Presidential Libraries across the United States, we reinforce this long and distinguished record of museum, public outreach, and

education programs. At any given time, hundreds of NARA staff members are serving as teachers and consultants, writers and editors, archival scholars, and museum curators in public programs aimed at engaging Americans in the study of their own history through written records that document that history.

To find out more . . .

- About *The Digital Classroom*, the National Archives gateway for resources about primary sources as well as activities and training for educators and students, can be accessed at *www.archives.gov/education/*.

- About *Our Documents*, 100 milestone documents of American history, go to *www.ourdocuments.gov/*.

- About education-related pages hosted by the Presidential libraries, visit *www.archives.gov/education/presidential-libraries.html*.

- About education resources available in the regional archives, go to *www.archives.gov/education/regional-resources.html*.

- About National History Day, visit *www.nationalhistoryday.org*.

- About the Presidential Timeline, visit *www.presidentialtimeline.org*.

Spotlight on Declassification

National Initiative Opens More Records to the Public

President Harry S. Truman once said, "Secrecy and a free, democratic government don't mix."

Government records often hold the unfiltered, unedited, first-hand accounts of the making of history. But they are of little use or benefit to citizens unless they have access to them.

Declassifying Government records so that they can be made available to the public is an important part of NARA's mission, and we are dedicated to processing classified holdings efficiently to ensure access as soon as legally possible.

Created by NARA in October 2006, the National Declassification Initiative (NDI) is a multi-agency effort to carry out the declassification requirements of Executive Order 12958, as amended, for Federal records. The purpose of the NDI is to create a declassification process that is efficient and effective in achieving the maximum amount of declassified records while identifying and maintaining appropriate protection for those records that require continued classification.

The NDI involves teams of experts from NARA and from agencies that originate or have an official equity in classified documents. The major agencies involved are the Central Intelligence Agency, the Department of State, the Department of Energy, and the Department of Defense. These

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Remote Archives Capture Project Streamlines Declassification of Presidential Records

A significant challenge facing NARA is the need to implement the automatic declassification provisions of EO 12958, as amended, as it applies to 25-year-old holdings in the Presidential Libraries. NARA has almost no declassification authority for most classified Presidential papers because of the high-policy level, recent age, and multiple equities in these records. Therefore, the records in the Presidential Libraries need to be referred to the agencies that hold equity in the documents. In order to streamline the referral process, NARA, in partnership with CIA and other classifying agencies in the government, is using the Remote Archives Capture (RAC) Project.

The RAC uses scanning technology to capture images of classified documents at field locations and then allows for their review in Washington by equity-holding agencies. Using the RAC, to date we have scanned more than 3.4 million pages for referral.

Former President Jimmy Carter conducts research at his Presidential Library. (Photo by Tony Clark.)

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teams are making significant progress toward the NDI's goals.

First, we are working toward accelerating the review of some 160,000 cubic feet, or about 400 million pages, of classified records held at the National Archives in College Park, MD. These records have received an initial review by the agency that originally created them, but many of them now need to be reviewed by other agencies with "equities," or classified information from agencies other than the originating agency that may be contained in the document. The President ordered that the deadline for making "equity" referrals on these records was December 31, 2006. Agencies then have three years—until December 31, 2009—to review the records before they are subject to automatic declassification.

In the past, resolving referrals required a large investment of both time and resources. Records had to be sent, either physically or electronically, to the agency, then the agency had to review the records, resolve any questions that arose, and report back their decisions. However, the NDI has streamlined this process for all involved.

Now, agency representatives come to the Archives and examine documents with NARA staff. If another agency needs to review a document for equities, the representative of that agency is also involved so that questions and concerns can be settled quickly. This face-to-face process has been one of the keys to the NDI's success so far, as it serves to preclude redundancies in review by having every agency with an equity review the same group of records at the same time rather than having time consuming "serial referrals."

Second, the NDI established a quality assurance team to perform quality assurance review on the initial review of documents conducted by agencies. By doing this, we ensure that material that should be made public is released, and material that needs to remain classified, for national security reasons, is not released. Also, this review helps to avoid situations where agencies "over-refer" material to other agencies, slowing down the declassification process, or withhold information that does not require continued classification.

Looking at the larger declassification picture, the 160,000 cubic feet of classified records that must be processed by the end of 2009 represents only the materials NARA currently holds – not those records that will arrive in the near future and will require additional declassification processing. Moreover, these records are just part of a backlog of about 1 million cubic feet of unprocessed records of all kind, not just classified ones. NARA staff is dedicated to eliminating this backlog and making these records more easily available to the public.

The NDI helps NARA carry out one of our major missions – providing access to as many records of the Federal Government as possible. By the end of FY 2007, more than 7 million pages had been sent to the NDI's Interagency Referral Center (IRC). As a result of the work of the IRC and the originating agencies, nearly 6 million pages were released to the open shelves during this time.

In the final analysis, the success of the NDI will be measured in terms of how it works to fulfill our strategic goal to ensure access as soon as legally possible. This will require unprecedented output in order to move many thousands of records through the declassification process in a relatively short period of time without sacrificing the quality of review that is necessary with classified information.

The ready availability of these vital records is essential in a democracy such as ours. Citizens must be able to hold their government officials accountable, obtain copies of records that guarantee their rights and entitlements, and see and read the story of the nation. To put it simply, NARA is in the access business, and the National Declassification Initiative is helping our business perform more effectively and more efficiently.

To find out more . . .

- About the declassification of Government records, visit *www.archives.gov/research/declassification/.*

Using the National Archives and Records Administration
FY 2007

	Researchers Microfilm	Researchers Other Records	Written Requests	Public Program Attendees	Museum Visitors	Online Visits
Washington, DC, Area	**16,805**	**53,985**	**31,654**	**2,549**	**1,075,081**	**–**
Office of Regional Records Services						
Northeast Region (Boston)	8,121	1,114	2,802	580	–	–
Northeast Region (Pittsfield)	2,421	5	959	228	–	–
Northeast Region (New York)	7,966	2,161	5,103	911	–	–
Mid Atlantic Region(Philadelphia)	6,331	496	1,480	782	–	–
Southeast Region (Atlanta)	3,989	840	2,134	390	–	–
Great Lakes Region (Chicago)	1,930	407	0	312	–	–
Great Lakes Region (Dayton)	–	–	3,961	215	–	–
Central Plains Region (Kansas City)	1,307	515	2,243	578	–	–
Southwest Region (Fort Worth)	2,629	806	2,696	650	–	–
Rocky Mountain Region (Denver)	2,847	829	434	858	–	–
Pacific Region (Laguna Niguel)	3,185	456	2,215	677	–	–
Pacific Region (San Bruno)	2,688	1,371	2,592	583	–	–
Pacific Region (Anchorage)	985	498	369	6	–	–
Pacific Alaska Region (Seattle)	2,218	1,030	1,344	819	–	–
National Personnel Records Center	41	247	1,138,837	–	–	–
Regional Records Services Total	**46,658**	**10,775**	**1,167,169**	**7,589**	**–**	**–**
Presidential Libraries						
Hoover	–	770	902	27,530	51,938	532,794
Roosevelt	–	1,474	2,767	8,006	110,216	1,229,297
Truman	–	952	2,815	19,569	105,310	3,352,704
Eisenhower	–	1,199	3,445	9,748	64,395	1,524,238
Kennedy	–	1,247	2,029	51,833	209,342	3,185,609
Johnson	–	1,606	2,960	11,412	330,225	1,952,298
Nixon	–	56	2,058	100	14,751	293,193
Ford	–	857	2,065	13,360	245,180	2,557,090
Carter	–	634	798	3,200	51,479	1,418,864
Reagan	–	557	630	20,705	305,331	2,938,674
Bush	–	158	777	31,397	111,974	831,934
Clinton	–	201	1,789	42,328	248,068	498,574
Presidential Libraries Total	**–**	**9,711**	**23,035**	**209,188**	**1,848,209**	**20,315,269**
Archives.gov	**–**	**–**	**–**	**–**	**–**	**13,926,357**
Our Documents.gov	**–**	**–**	**–**	**–**	**–**	**629,753**
TOTAL	**63,463**	**74,441**	**1,221,858**	**219,326**	**2,923,290**	**34,871,379**

Personnel on Board*

All funds as of September 30, 2007	Washington, DC, Area			Field Locations			Nationwide Total		
Programs	Full–Time Perm	Other	Total	Full–Time Perm	Other	Total	Full–Time Perm	Other	Total
Records Services	843	124	967	0	0	0	843	124	967
Regional Records Services	76	7	83	1,008	301	1,309	1,084	308	1,392
Presidential Libraries	130	5	135	284	80	364	414	85	499
Information Security Oversight Office	26	0	26	0	0	0	26	0	26
Federal Register	74	1	75	0	0	0	74	1	75
National Historical Publications and Records Commission	13	0	13	0	0	0	13	0	13
Electronic Records Archives	35	7	42	0	0	0	35	7	42
Total	**1,197**	**144**	**1,341**	**1,292**	**381**	**1,673**	**2,489**	**525**	**3,014**

* Admin Staff distributed across Program Offices

Performance Overview

We break down our strategic goals into long-range performance objectives and set annual targets and goals in our Annual Performance Plan each year. The following chart provides a synopsis of our FY 2007 performance. Highlights of some of this year's major accomplishments under each strategic goal follow the chart.

Snapshot of 2007 Performance

Strategic Goal 1: *As the nation's record keeper, we will ensure the continuity and effective operations of Federal programs by expanding our leadership and services in managing the Government's records.*

1.1: By 2012, 85 percent of senior Federal agency managers view their records management program as a positive tool for risk mitigation.
1.2: By 2012, 90 percent of customers are highly satisfied with NARA records management services.
1.3: By 2012, the Federal Records Center Program annually retains 98 percent of its customers.
1.4: Within 30 days of the end of an administration, 100 percent of Presidential and Vice Presidential materials have been moved to NARA locations or NARA-approved facilities.
1.5: By 2009, 100 percent of our Continuity of Operations Plans (COOP) meet the requirements for viability.
1.6: By 2009, NARA has established a supportive partnership with FEMA in the national response to emergencies in 100 percent of FEMA regions.

Performance Indicator	2003 Actual	2004 Actual	2005 Actual	2006 Actual	*2007 Target*	2007 Actual
Percent of senior Federal agency managers who view their records management programs as a positive tool for risk mitigation.	–	–	–	81*	–	–
Percent of Federal agency customers that are satisfied with NARA records management services.	–	–	57	78	*79*	80
Percent of customers retained by Federal Records Centers annually.	–	–	–	–	*98*	100
Percent of NARA Continuity of Operations Plans that achieve viability.	–	–	0	0	*100*	0
Percent of FEMA regions in which we have established a supportive partnership in the national response to emergencies.	–	–	–	–	*50*	60

Strategic Goal 2: *We will preserve and process records to ensure access by the public as soon as legally possible.*

2.1: By 2016, 85 percent of scheduled transfers of archival records are received at the scheduled time.
2.2: By 2016, 95 percent of archival holdings have been processed to the point where researchers can have efficient access to them.
2.3: By 2012, 75 percent of agency declassification reviews receive high scores as assessed by ISOO.
2.4: By 2016, NARA archival holdings of 25-year-old or older records are declassified, exempted, or referred under the provisions of Executive Order 12958, as amended.
2.5: By 2016, 100 percent of archival holdings are stored in appropriate space.
2.6: By 2009, 100 percent of NARA records center holdings are stored in appropriate space.
2.7: By 2016, less than 50 percent of archival holdings require preservation action.

Performance Indicator	2003 Actual	2004 Actual	2005 Actual	2006 Actual	*2007 Target*	2007 Actual
Percent increase in number of Federal agency electronic records scheduled than prior year.	–	–	–	–	*10*	33
Percent of traditional archival holdings that have been processed to the point where researchers can have efficient access to them.	–	–	–	–	*Baseline*	21
Annual number of pages indexed through the Interagency Referral Center (in thousands)	–	–	–	–	*1,000*	3,993

Annual number Presidential pages scanned (in thousands)	470	500	563	506	*500*	512
Percent of NARA traditional archival holdings in appropriate space	–	52	54	58	–	80

Strategic Goal 3: *We will address the challenges of electronic records in Government to ensure success in fulfilling NARA's mission in the digital era.*

3.1: By 2016, 95 percent of archival electronic holdings have been processed to the point where researchers can have efficient access to them.
3.2: By 2012, 80 percent of archival electronic records are preserved at the planned level of service.
3.3: By 2016, the per-megabyte cost of managing electronic records decreases each year.

Performance Indicator	2003 Actual	2004 Actual	2005 Actual	2006 Actual	*2007 Target*	2007 Actual
Percent of archival electronic accessions processed.	–	76	80	80	*95*	81
Percent of NARA's electronic accessions preserved in preparation for transfer to ERA.	–	89	89	89	*80*	89

Strategic Goal 4: *We will provide prompt, easy, and secure access to our holdings anywhere, anytime.*

4.1: By 2016, NARA customer service standards for researchers are met or exceeded.
4.2: By 2012, 1 percent of archival holdings are available online.
4.3: By 2016, 95 percent of archival holdings are described at the series level in an online catalog.
4.4: By 2012, our web sites score at or above the benchmark for excellence as defined for Federal Government web sites.

Performance Indicator	2003 Actual	2004 Actual	2005 Actual	2006 Actual	*2007 Target*	2007 Actual
Percent of written requests answered within 10 working days.	94	95	96	97	*90*	93
Percent of items requested in our research rooms furnished within 1 hour of request or scheduled pull time.	96	98	98	96	*95*	86
Percent of Freedom of Information Act requests for Federal records completed within 20 working days.	64	68	82	87	*85*	88
Percent of online archival fixed-fee reproduction orders completed in 20 working days or less (35 working days pre-2007)	99	99.9	98.9	96.7	85	72.4
Percent of traditional holdings in an online catalog.	20	33	43	51	*55*	56
Percent of artifact holdings in an online catalog.	17	40	43	57	*55*	57
Percent of electronic holdings in an online catalog.	0	17	63	98	*55*	99

Strategic Goal 5. *We will increase access to our records in ways that further civic literacy in America through our museum, public outreach, and education programs.*

5.1: By 2016, our museums score in the top 10 percent of all history museums nationally according to industry measures.
5.2: By 2016, 95 percent of exhibit, public outreach, and education visitors are highly satisfied with their visit experience.

Performance Indicator	2003 Actual	2004 Actual	2005 Actual	2006 Actual	*2007 Target*	2007 Actual
Percent of education programs, workshops, and training courses meeting attendees' expectations.	95	99	99	99	*95*	98

Strategic Goal 6. *We will equip NARA to meet the changing needs of our customers.*

6.1: By 2016, 95 percent of employees possess the core competencies that were identified for their jobs.
6.2: By 2016, the percentages of NARA employees in underrepresented groups match their respective availability levels in the Civilian Labor Force (CLF).

6.3: By 2016, public network applications are available 99 percent of the time.						
Performance Indicator	**2003 Actual**	**2004 Actual**	**2005 Actual**	**2006 Actual**	*2007 Target*	**2007 Actual**
Percent of staff having performance plans linked to strategic outcomes.	95	93	94	95	***95***	97
Percent of permanent staff having staff development plans linked to strategic outcomes.	91	52	78	76	***95***	96
Percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups.	91	92	95	87	***87***	76
Percent of public network applications availability	−	98.7	98.9	98.9	***98.8***	99.3

*FY 2006 survey studied Chief Information Officer responses.

Goal 1: Managing the Government's Records

We are committed to demonstrating leadership in ensuring the effectiveness and efficiency of Government records management. In fact, promoting and ensuring effective records management across the Federal Government is a fundamental step in accomplishing the other goals in our Strategic Plan.

We continued moving forward in implementing *Strategic Directions for Federal Records Management*, our roadmap to redesign Federal records management practices in the age of electronic records. Many of the initiatives of this plan are now standard practice within NARA and Federal agencies. We surveyed Federal agency records management customers, asking them about their satisfaction with NARA records management services, including our scheduling and appraisal services, electronic records guidance products, and records management training and certification services. Preliminary results indicate that we met our goal of 79 percent satisfaction with NARA's records management services. We also analyzed the results of last year's pilot survey of Federal Chief Information Officers to better understand their use of records management tools in risk mitigation in preparation for a wider survey in 2008.

After an initial "soft" launch in FY 2006, we announced the availability of the Electronic Records Management Toolkit to Federal records managers in FY 2007. This online one-stop resource for Federal agencies allows them to share quickly and economically information on electronic records. The Toolkit for Managing Electronic Records (*http://toolkit.archives.gov*) is a web portal that provides descriptions and links to guidance for managing electronic records and resources developed by NARA and other organizations. The collection is searchable by topic, occupation, the organization that created the tool, or within the descriptive text. This year, we added 37 new tools to the kit.

Our reimbursable Federal Records Center Program (FRCP) implemented scanning services and offered additional electronic media storage services this year. FRCP's scanning services allow Federal agencies to receive copies of their records electronically after scanning at FRCP storage facilities in Texas and Washington, DC. These facilities also have new state-of-the-art storage and disposal centers for electronic media. Special vaults securely store and protect a variety of electronic media. A specially equipped shredder at these facilities allows for the proper disposal of electronic tapes, CD's, and other electronic media.

Our National Records Management Program worked with Federal staff in nine Federal agencies to identify and consolidate lessons learned in the development and implementation of Records Management Applications (RMA). Included in this study were email applications. This study will expand our understanding of information sharing capabilities throughout the Government.

Alice (Thibodaux) Rose, a young at heart 90-year-old, asked her niece, Julie Hernandez, to help her obtain a birth certificate to "prove I was born before I die." The Louisiana Bureau of Vital Statistics rejected her marriage and baptism certificates because of variations in the spelling of her and her mother's names, in both English and French. Alice's schools had no records, and Social Security records were not enough. Hernandez contacted NARA in Washington, DC, and Connie Potter sent her a copy of an entry from the 1930 Census, listing Alice and her family. Finally, state officials issued a "delayed birth certificate," and Alice says she now feels "complete."

Alice Rose (Photo by Julie Hernandez)

We exceeded our goal of increasing by 10 percent the number of first time attendees to NARA records management training, with more than 2,100 first time attendees trained so far this year. Our records management certification program has certified 267 new records managers this year, bringing the total of professionally certified records managers to nearly 600 throughout the Federal Government.

NARA also worked closely with agencies to schedule records in core function electronic systems and approved schedules for more than 1,000 systems. Notable accomplishments include a comprehensive project with the Department of State covering the subject terms used to categorize records in the agency's Central Foreign Policy File. This project represents one of NARA's most significant electronic records scheduling and appraisal accomplishments to date in terms of the project's importance to the archival preservation of a major body of electronic records that provide significant documentation of U.S. history.

In addition to records scheduling activities, agencies partnered with NARA on a number of other important electronic records projects. NARA joined with the EPA, the Department of Treasury, and the Department of Interior in pilot projects to assist them in implementing the Records Management Profile. These projects were initiated to ensure that new IT systems include appropriate electronic records management requirements, and that the electronic records can be appropriately managed throughout the entire life cycle of the records. NARA staff worked closely with the agencies to develop checklists identifying key questions that will help IT staff, program unit staff, and records management officers implement records management more effectively. NARA will continue to assist agencies in implementing the RM Profile and the relevant checklists.

OMB and NARA continue to work with agencies on fulfilling their responsibilities under Section 207(e) using NARA's December 2005 guidance and other applicable records management policies. In the spring, NARA hosted a web briefing on Section 207(e) of the E-Government Act of 2002 and the requirements for Federal agencies to improve the

management of electronic records. More than 160 agency CIOs and Records Managers participated. In addition NARA promoted implementation of the Act in its records management training curriculum and conferences.

Lastly, we began preparations for the most challenging volume of records in NARA's history—the George W. Bush Administration records. NARA hired and trained four new archivists in preparation for the central role NARA will play in the transition of this administration's records to NARA on January 21, 2009. This early work enables us to know more about the records that will represent exponentially more electronic Presidential and Vice Presidential holdings than any previous administration. To ensure the preservation of these records for historical, informational, and administrative purposes, this staff began planning work with White House and Vice Presidential staffs this year.

Goal 2: Preserve and Process the Nation's Records

Our new Strategic Plan points us toward an aggressive new goal to deal with our backlog of unprocessed records. Archival processing involves a series of steps that establish physical and intellectual control of records and culminates in describing records in our online catalog, making them easier and faster to locate for research. This backlog has been growing for decades as we accession records faster than we can process them. We took steps this year to scope the problem, examine and adjust our work processes, and figure out how to measure our progress.

Dealing with multiple classified equities between Executive Branch agencies makes our declassification efforts to meet Executive Order 12958, as amended, very complicated. With the help of our stakeholders in all the Executive Branch agencies that create classified records, we developed a collaborative National Declassification Initiative (NDI). The objective of this initiative is to provide an efficient and effective means of handling the referral of classified equities between the various equity holders.

A key component of the NDI is the Interagency Referral Center (IRC), our system designed to support the process of agency review of referred Federal classified records that are part of the National Archives. The IRC indexed nearly 4 million pages this year for referral. By handling referrals through the IRC, NARA retains physical and intellectual control of the records. The IRC provides access by agency reviewers and allows us to prioritize the order in which referrals are processed so we can deal with records of high research interest in a timely manner. The IRC supports a standard method for recording agency decisions, ensuring that when NARA staff process the records for release or exemption, the agency determination will be clearly understood and NARA will avoid inadvertent releases of still appropriately classified information.

We also scanned more than 500,000 pages of Presidential records as part of our Remote Archives Capture project, exceeding our goal.

We exceeded our preservation goals this year treating or housing nearly 54,000 cubic feet, almost tripling our goal. Nearly 90 percent of the records preserved were textual (paper) records. Our continued success in meeting our annual preservation goals ensures that these historical records will be preserved for future generations.

One of the most economical ways to preserve records is to ensure that they are housed in space that meets proper storage standards. We completed construction of a new records

center facility in Fort Worth this year and expect to complete the move of the records from the old facility by the end of the year.

Growth in NARA Archival Electronic Holdings
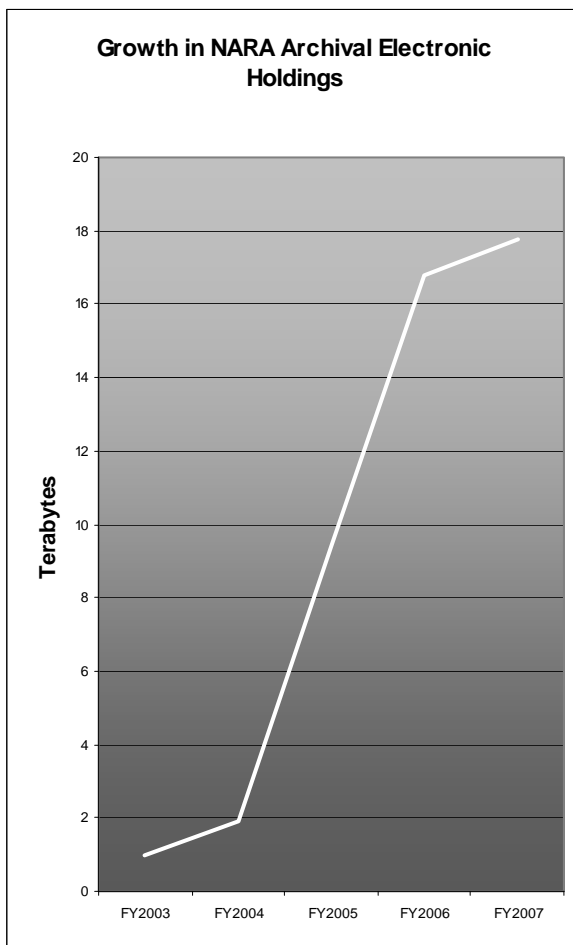
On July 11, the Richard Nixon Presidential Library and Museum in Yorba Linda, CA, was announced as the newest member of NARA's Presidential Library System. A long-awaited milestone, the new library will eventually bring together all of the Nixon Presidential materials under one roof. The Archivist of the United States, Allen Weinstein, notes that "The result will be a national resource—indeed, an international resource—for the study of the best documented Presidential administration in American history."

Goal 3: Managing Electronic Records

The Electronic Records Archives (ERA) is our cutting-edge system that will capture electronic records and information, regardless of format, save them permanently, and make them accessible on whatever hardware or software is currently in use. NARA's strong oversight of the contractor's work gave indication earlier this year that there were various problems in the development of the first incremental build of the system.

These problems have led to a delay in delivery of this system for use in NARA operations from September 2007 to June 2008. However, NARA and the system contractor are working collaboratively on a comprehensive effort to correct or eliminate the conditions

Percent of Military Service Separation Records Answered Within 10 Days
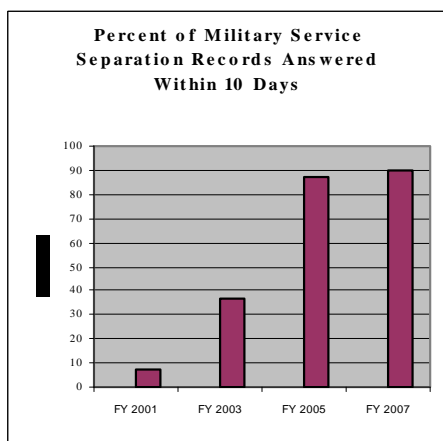
that created the problems. We continue to map legacy electronic records systems to ERA in preparation for a transition from outdated tracking and storage systems to ERA. In addition, reviews of legacy data are being conducted to ensure that data are ready for migration to ERA. While the ERA is in development we continue to meet our goals of processing and storing electronic records in a stable environment.

Goal 4: Providing Access to Records

We continued to add descriptions of our holdings to the Archival Research Catalog (ARC), our

online catalog of NARA's nationwide holdings. We exceeded our target for having 55 percent of our holdings described in ARC this year. We described 56 percent of our traditional holdings, 57 percent of our artifact holdings, and 99 percent of our electronic holdings.

One indication of the quality and interest in the information we provide is the number of visitors to our web sites—more than 34 million this year. To help us continue to improve our web services, we use information gathered in an online survey on our main public web site, *archives.gov*. This survey, which uses the American Customer Satisfaction Index, gives us valuable information from our customers and we use the results to make improvements to our site.

We took some exciting new steps toward making more of our archival holdings available online. NARA entered into a partnership with *iArchives/Footnote.com* to digitize our microfilm holdings, making them available to the NARA research rooms nation-wide. As part of the partnership, NARA receives a set of

World War II veteran Norman Hatch shares a laugh with "time traveler" Benjamin Franklin during NARA's July 4th ceremony at the National Archives Building in Washington, DC. (Photo by Robert Maciolek)

digitized images of these holdings and their metadata, which we will be able to make available to the public in 5 years. These holdings will be described in our online catalog. We developed some guiding principles for our partnerships, and have collected public comment on another proposed partnership.

We continued to provide outstanding customer service exceeding our FY 2007 targets in nearly every area. Ninety-three percent of the written requests we received from customers were answered within 10 working days, exceeding our goal of 90 percent. Eighty-eight percent of Freedom of Information Act (FOIA) requests for Federal records were completed within 20 working days, exceeding our target of 85 percent.

Goal 5: Increasing Civic Literacy

We worked on a number of activities aimed at improving the level of civic literacy throughout the country. We launched a new exhibit "School House to White House: The Education of the Presidents" to engage the public in a more personal understanding of our Presidents in their youth. Our Presidential libraries have developed a number of system-wide and bilateral projects, including forthcoming conferences on the Supreme Court and the Presidency at the Roosevelt Library. Together, the libraries have also launched on the Internet a Presidential Timeline—a source of documents, photographs, audio and video clips, and education-based activities geared toward better understanding the Presidency. This fall, C-SPAN began a series of two-hour, live programs from the 12 Presidential libraries in sequence from Hoover to Clinton. We

continued our successful American Conversations—a series of information public conversations between the Archivist and public figures. Past conversations have included Academy Award nominated filmmaker, Ken Burns; Senator Hillary Rodham Clinton; Lynne Cheney; and Historian John Hope Franklin, among others.

To better serve the public, this year we evaluated tools that will help us measure public satisfaction with our museums. We identified several tools, some of which are already in use in other Federal museums. Next year with one of these tools in place we can begin to gather valuable feedback from those who visit NARA museums.

We also delivered a wide variety of other experiences for visitors throughout NARA. This year 98 percent of those surveyed were "highly satisfied" with NARA programs, helping us exceed our performance target of 95 percent. NARA programs continue to provide both educational content and a unique learning experience, thanks to our instructors, the contributions of our partners, and the wealth of material in the National Archives.

Goal 6: Developing our Infrastructure

We continued our efforts to strengthen our information technology (IT) program, particularly in the area of IT security. We provided annual computer security training to our staff and held annual training to users of classified systems. We also examined our policies and use of personally identifiable information (PII) across the agency to minimize the risk of its unauthorized release.

For the first time since we began linking staff performance plans and individual development plans to specific goals and strategies in our Strategic Plan, we met our goals for 95 percent of our staff having linked plans. This was particularly important to accomplish this year because we began working to a new Strategic Plan in FY 2007. Our workforce also participated in diversity training this year.

Linking Our Budget to Our Objectives

Our long-term objectives are tied directly to our budget. The chart below illustrates, by strategic goal and long-term objective, the resources allocated to each of these goals. (The resources obligated to each of these goals are shown in figure 3 on p. 37.) The chart also links the major budget functions to each of our long-term objectives.

NARA Goals and Long-Term Objectives ($ and FTE allocated to each Goal)	Records Services	Archives—Related Services	Electronic Records Archives	Revolving Fund	Trust Fund	NHPRC	Repairs & Restoration
Goal 1: $29,867,000 and 1,386 FTE							
1.1: By 2012, 85 percent of senior Federal agency managers view their records management program as a positive tool for risk mitigation.	✓						
1.2: By 2012, 90 percent of customers are highly satisfied with NARA records management services.	✓						
1.3: By 2012, the Federal Records Center Program				✓			

NARA Goals and Long-Term Objectives ($ and FTE allocated to each Goal)	Records Services	Archives – Related Services	Electronic Records Archives	Revolving Fund	Trust Fund	NHPRC	Repairs & Restoration
annually retains 98 percent of its customers.							
1.4: Within 30 days of the end of an administration, 100 percent of Presidential and Vice Presidential materials have been moved to NARA locations or NARA-approved facilities.	✓						
1.5: By 2009, 100 percent of our Continuity of Operations Plans (COOP) meet the requirements for viability.	✓						
1.6: By 2009, NARA has established a supportive partnership with FEMA in the national response to emergencies in 100 percent of FEMA regions.	✓					✓	
Goal 2: $126,935,000 and 544 FTE							
2.1: By 2016, 85 percent of scheduled transfers of archival records are received at the scheduled time.	✓		✓				
2.2: By 2016, 95 percent of archival holdings have been processed to the point where researchers can have efficient access to them.	✓		✓				
2.3: By 2012, 75 percent of agency declassification reviews receive high scores as assessed by ISOO.	✓						
2.4: By 2016, NARA archival holdings of 25-year-old or older records are declassified, exempted, or referred under the provisions of Executive Order 12958, as amended.	✓						
2.5: By 2016, 100 percent of archival holdings are stored in appropriate space.	✓						✓
2.6: By 2009, 100 percent of NARA records center holdings are stored in appropriate space.				✓			
2.7: By 2016, less than 50 percent of archival holdings require preservation action.	✓						
Goal 3: $62,095,000 and 95 FTE							
3.1: By 2016, 95 percent of archival electronic holdings have been processed to the point where researchers can have efficient access to them.	✓		✓				
3.2: By 2012, 80 percent of archival electronic records are preserved at the planned level of service.	✓		✓				
3.3: By 2016, the per-megabyte cost of managing electronic records decreases each year.			✓				
Goal 4: $48,704,000 and 291 FTE							
4.1. By 2016, NARA customer service standards for researchers are met or exceeded.	✓						
4.2. By 2012, 1 percent of archival holdings are available online.	✓		✓				
4.3. By 2016, 95 percent of archival holdings are described at the series level in an online catalog.	✓		✓				
4.4. By 2012, our web sites score at or above the benchmark for excellence as defined for Federal government web sites.	✓				✓		
Goal 5: $41,855,000 and 295 FTE							
5.1. By 2016, our museums score in the top 10 percent of	✓				✓		

Management's Discussion and Analysis | **33**

NARA Goals and Long-Term Objectives ($ and FTE allocated to each Goal)	Records Services	Archives — Related Services	Electronic Records Archives	Revolving Fund	Trust Fund	NHPRC	Repairs & Restoration
all history museums nationally according to industry measures.							
5.2 By 2016, 95 percent of exhibit, public outreach, and education visitors are highly satisfied with their visit experience.	✓			✓	✓		
Goal 6: $32,254,000 and 165 FTE							
6.1. By 2016, 95 percent of employees possess the core competencies that were identified for their jobs.	✓	✓	✓	✓			
6.2. By 2016, the percentages of NARA employees in underrepresented groups match their respective availability levels in the Civilian Labor Force (CLF).	✓	✓	✓	✓			
6.3. By 2016, public network applications are available 99 percent of the time.	✓	✓	✓	✓			

Financial Highlights

Fiscal Year 2007 was the fourth year that NARA prepared and submitted to the Office of Management and Budget (OMB) and U.S. Congress consolidated financial statements in accordance with the Chief Financial Officers (CFO) Act. The financial statements presented in this report have been prepared from NARA's accounting records in accordance with the generally accepted accounting standards prescribed for Federal entities by the Federal Accounting Standards Board (FASAB), and presentation standards prescribed by OMB Circular A-136, *Financial Reporting Requirements*.

Sources of Funds

NARA is funded through appropriated budget authority which includes annual, multi-year and no-year appropriations available for use within certain specified statutory limits. Other financing sources include the National Archives Trust Fund, Gift Fund, and Revolving Fund revenues.

NARA's FY 2007 budget authority from appropriation was $341 million. We carried over $18 million in multi-year and no-year funds, and $0.4 million from FY 2006 was made available for obligation in FY 2007. Total appropriated budget authority for FY 2007 was $359 million (see Figure 2).

Total FY 2007 Direct Appropriations = $359,201
(including NHPRC Grants, Repairs and Restoration, and Electronic Records Archives)
(dollars in thousands)

- Federal Register $9,999 (3%)
- Regional Records Services $46,074 (13%)
- Information Security Oversight Office $4,245 (1%)
- Electronic Records Archives $53,278 (15%)
- NHPRC Grants $6,473 (2%)
- NHPRC Operating Expenses $2,242 (1%)
- Records Services $129,015 (35%)
- Archives II Redemption of Debt $10,026 (3%)
- Archives II Interest $18,945 (5%)
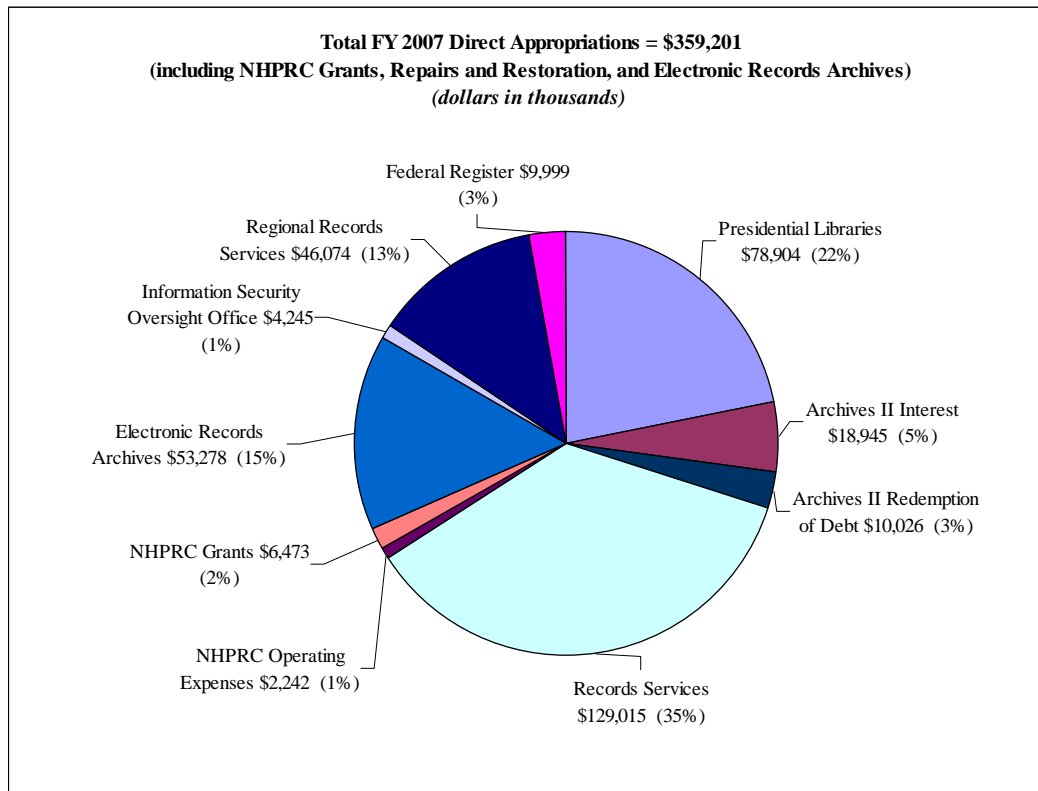- Presidential Libraries $78,904 (22%)

Figure 2 Appropriated Budget Authority, FY 2007

The major operating appropriation funds basic operations comprising records services, archives-related services, and the National Archives at College Park.   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 publications 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. The $302 million cost of construction of the National Archives at College Park, which serves as a major archival facility as well as the center for NARA's administrative offices, was financed by Federally-guaranteed debt issued in 1989. Annually, the Archivist seeks appropriations for the payment of interest and redemption of that debt.

In addition to the general operating expenses appropriation, NARA receives others that are more specific. The Electronic Records Archives appropriation funds NARA's effort to ensure the preservation of and access to Government electronic records. The repairs and restoration appropriation funds the repair, alteration, and improvement of archives facilities to provide adequate storage for holdings. The National Historical Publications and Records Commission grants program provides for grants to state, local, and private institutions to preserve and publish records that document American history. Figure 2 demonstrates the allotment of total available appropriated funds.

The National Archives Trust Fund and Presidential Library Trust Funds budget authority includes revenues generated from the sale of publications, museum shop sales, paper reproductions, audio visual reproductions, library admissions, educational conferences, and interest income. Expenditures are made for the cost of museum shop inventory, personnel, operational and financial systems, equipment, and reproduction supplies. The National Archives Trust Fund and Presidential Library Trust Funds earned revenue of $18 million in FY 2007.

The Gift Fund's budget authority includes donations and interest earned on those gifts and endowments. It was established to administer incoming gifts and bequests for the benefit of, or in connection with, the archival and records activities of the National Archives and Records Administration. Expenditures are made for various programs, including historical research, conferences, archival and cultural events, and publications. In FY 2007, the gift fund received donations of $1.7 million.

The Revolving Fund's budget authority includes temporary Federal agency records stored in NARA service facilities. It provides storage, transfer, reference, re-file, and disposal services, for a standard fee. The Revolving Fund earned revenue of $136 million, after intra-entity eliminations, in FY 2007.

Uses of Funds by Function

NARA incurred new general fund obligations of $336 million in FY 2007. Of this, $1.5 million is for reimbursable work. The chart below represents obligations by strategic goals.

Total FY 2007 Obligations by Function = $335,907
(dollars in thousands)

Records Management - Goal 1, $21,782 (6%)

Federal Register - Goal 1, $8,467 (3%)

Staff Development & Technology - Goal 6, $31,733 (9%)

NHPRC Grants (no-year fund) - Goal 5, $5,706 (2%)

Archival Programs-- Preservation - Goal 2, $97,846 (28%)

Archival Programs-- Access - Goal 4 & 5, $83,288 (25%)

Repairs and Restoration (no-year fund) - Goal 2, $8,408 (3%)

ISOO - Goal 4, $2,201 (1%)

Archives II Interest - Goal 2, $18,945 (6%)

Does not include $10,026 for the Redemption of Debt.

Electronic Records Challenges - Goal 3, $57,531 (17%)

Figure 3. Obligations by Function, FY 2007

Audit Results

NARA received an unqualified opinion on its FY 2007 and FY 2006 financial statements. The auditors identified one significant deficiency in internal control over financial reporting in the area of Information Technology. The auditors disclosed no material weaknesses and no instances of noncompliance with certain provisions of laws and regulations.

Financial Statement Highlights

NARA's financial statements summarize the financial activity and financial position of the agency. The financial statements, footnotes, supplementary information, and supplementary stewardship information appear in Section 3 - Financial Section. An analysis of the principal statements follows.

Analysis of the Balance Sheet

ASSETS: NARA's assets were $596.5 million as of September 30, 2007, an increase of $38.3 million from the end of FY 2006. The majority of this increase resulted from capitalization of software in development costs for ERA project. The assets reported in NARA's balance sheet are summarized in the accompanying table.

Asset Summary (in millions)	FY 2007	FY 2006
Fund balance with Treasury and cash	$176.0	$174.7
General property, plant, and equipment, net	377.9	339.8
Investments	30.3	28.5
Accounts receivable, net	10.3	13.1
Inventory	1.0	1.1
Other	1.0	1.0
Total assets	**$596.5**	**$558.2**

The fund balance with Treasury and cash represents approximately 29.5 percent of total assets. Property, plant, and equipment constitute 63.3 percent of total assets, with the National Archives Facility at College Park representing the greater part of the balance.

LIABILITIES: NARA's liabilities as of September 30, 2007, amounted to $287.6 million. A decrease of $11.2 million from the end of FY 2006 is due mainly to scheduled repayments of Debt held by the public during the year. The liabilities reported in NARA's balance sheet are summarized in the accompanying table.

Liabilities Summary (in millions)	FY 2007	FY 2006
Debt held by the public	$216.8	$226.9
Accounts payable	35.9	35.6
Other	34.9	36.3
Total liabilities	**$287.6**	**$298.8**

Debt held by the public accounts for approximately 75 percent of total liabilities and represents certificates of participation issued to the public through a trustee to cover the construction costs of the National Archives at College Park. Liabilities totaling $236.5 million, or 82 percent of total liabilities, were unfunded, i.e., budgetary resources were not yet available. For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with OMB funding guidelines. The major elements of unfunded liabilities are $216.8 million for debt held by the public, $11.1 million for workers' compensation, and $8.6 million for unfunded annual leave.

NET POSITION: The difference between total assets and total liabilities is net position of $308.9 million as of September 30, 2007. The increase of $49.5 million from FY 2006 year-end balance is due mainly to the capitalization of FY 2007 expenditures for software development for the ERA project.

The net position reported in NARA's balance sheet is summarized in the accompanying table.

Net Position Summary (in millions)	FY 2007	FY 2006
Unexpended appropriations	$108.6	$108.9
Cumulative results of operations	200.3	150.5
Total net position	**$308.9**	**$259.4**

Unexpended appropriations is the amount of authority granted by Congress that has not been expended. *Cumulative results of operations* reflects net results of the revolving fund operations and funding of capital needs of the agency since NARA's inception.

Analysis of the Statement of Net Cost

The statement of net cost presents the net cost of NARA's six major programs. NARA's net cost of operations for the year ended September 30, 2007, was $306.6 million. The decrease of $8.3 million in the net cost of operation is due largely to the completion of restoration projects at the libraries and Archives I in FY 2006 as well as higher proportion of expenditures on capitalized projects.

Net costs by program are shown in the accompanying table.

Net Cost of Operations (in millions)	FY 2007	FY 2006
Records and archives-related services	$282.3	$284.0
Trust and gift funds	(1.9)	(2.8)
Electronic records archives	7.1	6.4
National historical publications and records commission grants	5.7	7.0
Archives facilities and presidential libraries repairs and restoration	4.6	12.5
Records center storage and services	8.8	7.8
Net cost of operations	**$306.6**	**$314.9**

Analysis of the Statement of Changes in Net Position

The statement of changes in net position reports the change in net position during the reporting period. Net position is affected by changes in its two components—Cumulative Results of Operations and Unexpended Appropriations. The increase in net position of $49.5 million from FY 2007 to FY 2006 is comprised of the increase in cumulative results of operations of $49.8 million and a decrease in unexpended appropriations of $0.3 million. The overall increase is indicative of the higher expenditures for capital needs of the organization, such as ERA development activity described above.

Analysis of the Statement of Budgetary Resources

The statement of budgetary resources presents the sources of budgetary resources and their status at the end of the period, as well as demonstrates the relationship of obligations to outlays. For FY 2007, NARA had budgetary resources available of $587 million, an increase of 1 percent over $583.8 million in FY 2006. The majority of the increase resulted from new budget authority.

Debt Management

The Bureau of Public Debt (BPD) and the General Services Administration (GSA) assist NARA with the management of employee debts. NARA contracts with GSA for payroll services. Under this cross-servicing agreement, GSA tracks employee debts and pursues delinquent debts from NARA employees through salary offset and administrative wage garnishment. NARA has a cross-servicing agreement with BPD for accounting services. In compliance with the Debt Collection Improvement Act of 1996, BPD actively pursues delinquent non-Federal claims and, upon request by NARA, transmits delinquent claims to the U.S. Department of the Treasury Financial Management Service (FMS) for collection cross-servicing.

Erroneous Payments Management

NARA does not have any high risk programs, as defined by OMB and the Improper Payments Information Act, or programs and activities that meet the $10 million and 2.5-percent threshold established by the Office of Management and Budget as a definition of significant erroneous payments.
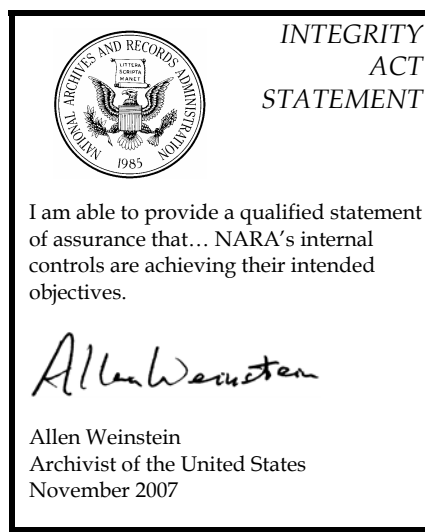
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Systems, Controls, and Legal Compliance

This section provides information about NARA's compliance with the

- Federal Manager's Financial Integrity Act

- Federal Information Security Management Act

- Federal Financial Management Improvement Act

- Prompt Payment Act

- Inspector General Act

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act mandates that agencies establish controls that reasonably ensure that (i) obligations and costs comply with applicable law; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. This act encompasses operational, program, and administrative areas, as well as accounting and financial management. It requires the Archivist to provide an assurance statement to the President on the adequacy of internal controls and conformance of financial systems with Government-wide standards. (*See Section 4 for NARA's FY 2007 FMFIA Report.*)

INTEGRITY ACT STATEMENT

I am able to provide a qualified statement of assurance that… NARA's internal controls are achieving their intended objectives.

Allen Weinstein
Archivist of the United States
November 2007

Internal Controls Program

NARA's internal controls worked to ensure the attainment of our mission and FY 2007 goals, maintain efficient operations, and reduce fraud and the misuse of taxpayer-provided resources. NARA managers submitted an annual assurance statement, along with a management control plan, to the Archivist of the United States at the end of the fiscal year. These statements were based on various sources and included

- Management knowledge gained from daily operation of programs

- Management reviews

- Program evaluations

- Audits of financial statements

- Reviews of financial systems

- Annual performance plans and periodic performance reporting to the Archivist

- Senior Staff reviews and briefings

- Internal oversight groups for agency programs

- Monthly reporting in NARA's Performance Measurement Reporting System and monthly Strategic Schedule reporting

- Reports and other information provided by the congressional committees of jurisdiction

In addition, audits and reviews performed by the Office of Inspector General (OIG) and the Government Accountability Office reviewed the agency's internal controls and led to improvements in them.

FY 2007 Internal Controls

NARA evaluated its internal control systems for the fiscal year ending September 30, 2007. This evaluation provided reasonable assurance that, except for two material weaknesses, the agency's internal controls achieved their intended objectives. Pursuant to Section 2 of the Integrity Act, we identified a material weakness in our collections security program in FY 2001. We have made progress in our actions to remedy the collections security weakness, but still have substantive work to accomplish. In FY 2008 we will conduct a comprehensive review of all corrective actions to date and reassess the status of this material weakness, with the goal to close it by the end of the year. New this year, we have declared a material weakness related to NARA's Information Technology (IT) Security Program. NARA will continue to address reportable conditions in our Preservation Program and in IT documentation.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) requires Federal agencies to conduct an annual self-assessment review of their information technology security program, to develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and to report to OMB on the agency's compliance.

Following established FISMA requirements, our review indicated no new significant deficiencies in NARA's FY 2007 FISMA report, submitted October 1, 2007, to OMB.

Federal Financial Management Improvement Act

As an Accountability for Tax Dollars Act (ATDA) agency, NARA is not subject to the requirements of FFMIA, per OMB bulletin #07-04, *Audit Requirements for Federal Financial Statements*.

Prompt Payment Act

As our financial service provider, the Bureau of the Public Debt processes payments for NARA in accordance with the Prompt Payment Act and submits quarterly prompt pay statistics on our behalf.

Inspector General Act

In FY 2007 NARA satisfied 72 percent of audit recommendations opened prior to the start of the fiscal year, and 60 percent of audit recommendations opened during this fiscal year. This shows our commitment to resolving and implementing open audit recommendations presented in OIG reports. Section 5(b) of the Inspector General Act requires agencies to report on final actions taken on OIG audit recommendations. This information is included in the Archivist's transmittal of the OIG semi-annual report to Congress.

Facilities

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700 Pennsylvania Avenue, NW
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202-357-5400

**National Archives at
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301-837-2000

**Washington National
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Herbert Hoover Library
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319-643-5301

Franklin D. Roosevelt Library
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Harry S. Truman Library
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**Richard Nixon Presidential
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Jimmy Carter Library
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Ronald Reagan Library
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George Bush Library
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William J. Clinton Library
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*The Richard Nixon Presidential Library and Museum in Yorba Linda,
CA, joined the National Archives presidential library system on July
11, 2007. (Photo courtesy Richard Nixon Library and Birthplace
Foundation)*

Copies of This Report

This report is available on our web site at—

www.archives.gov/about/plans-reports/performance-accountability/

Links are provided to both the full report (Management's Discussion and Analysis [MD&A], Performance and Financial sections, and Other Accompanying Information) as well as the summary report (MD&A and auditor's report). Also located on that page are links to our Strategic Plan, annual performance plans, and past performance reports.

Copies of this report also may be obtained by electronic request via the form at—

www.archives.gov/contact/inquire-form.html

or by writing to National Archives and Records Administration, Policy and Planning Staff, 8601 Adelphi Road, Room 4100, College Park, MD 20740-6001. Please specify whether you are interested in the summary report or the full report. Also, we welcome your comments on how we can improve this report for FY 2008. Please e-mail any comments to *Vision@nara.gov*.

Other Web Pages of Interest

Reports, Strategic Documents, Messages from the Archivist: Find the latest information regarding our mission, vision, and strategic initiatives.

www.archives.gov/about/

The National Archives Experience: Participate in an interactive, educational experience about the power of records in a democracy.

www.archives.gov/national-archives-experience/

Archival Holdings: Find records of interest in Washington, DC, the regional archives, and Presidential libraries.

www.archives.gov/research/arc/

Public Documents: By law, the U.S. Government Printing Office and the Office of the Federal Register at NARA partner to publish and disseminate the official text of Federal laws, Presidential documents, administrative regulations and notices, and descriptions of Federal organizations, programs and activities.

www.gpoaccess.gov/nara/

www.archives.gov/federal-register/

www.gpoaccess.gov/ecfr/

Careers at NARA: Review current job openings and learn how to apply.

www.archives.gov/careers/

Visit NARA: Learn how to prepare for a research visit, about facility hours and locations, and more.

www.archives.gov/research/

Prologue **Magazine:** Keep up to date on NARA activities through its quarterly journal. View selected articles and subscribe online.

www.archives.gov/publications/prologue/

SECTION 2
PERFORMANCE SECTION

Measuring and Reporting Our Performance

This annual performance report based on the goals, strategies, and long-range performance objectives set forth in our 2006 Strategic Plan and the annual objectives in our FY 2007 Performance Budget. The following pages detail our performance on our FY 2007 objectives. Checked boxes indicate those we fully achieved. Those we did not fully achieve have open boxes with an explanation below. We also included relevant performance results and trend information. Our budget links to the report's performance goals. We received no aid from non-Federal parties in preparing this report.

We used four mechanisms to measure actual performance: (1) periodic management reviews, (2) formal audits of operations, (3) expansion and refinement of our performance measurement system, and (4) systematic sampling of measurement system effectiveness. In FY 1999 we deployed our agency-wide Performance Measurement and Reporting System (PMRS). This system allows us to define and consistently measure data critical to the analysis of our performance objectives. Every year we improve and expand the system further so that our strategic performance is measured using a balanced scorecard approach for tracking cycle times, quality, productivity, cost, and customer satisfaction for our products and services. This report also updates some of our prior year statistics that we corrected because of these improvements. These ongoing refinements indicate that this annual report, our annual plans, and our Strategic Plan are living documents and an integral part of our operations.

Our performance measurement system, which we continuously work to improve, takes advantage of web infrastructure to collect performance data from the more than 70 organizational units that send data to PMRS from all over the country. We also use robust, enterprise-level databases to store the data and generate reports, instead of high-maintenance desktop databases previously used. As a result, we are able to collect our performance data more consistently and more efficiently and store much more data for use in analyzing trends. We have leveraged this technology and operationally integrated data collection to create a performance measurement database that serves the entire agency and is the single strategic performance data source for agency.

Our program management system (PROMT) helps us control the cost and schedule for the Electronic Records Archives (ERA) program and other programs. PROMT integrates several commercial off-the-shelf program management tools in a Windows-based web environment to help us schedule and link project activities, assign resources, collect and report costs, calculate earned value, and analyze impacts and risks to the ERA program. PROMT incorporates an EIA-748 compliant tool that meets Office of Management and Budget (OMB) and Government Accountability Office (GAO) requirements for calculating earned value.

FY 2007 Performance by Strategic Goal

Strategic Goal 1: Our Nation's Record Keeper

As the nation's record keeper, we will ensure the continuity and effective operations of Federal programs by expanding our leadership and services in managing the Government's records

Long-Range Performance Targets

1.1 By 2012, 85 percent of senior Federal agency managers view their records management program as a positive tool for risk mitigation.

1.2 By 2012, 90 percent of customers are highly satisfied with NARA records management services.

1.3 By 2012, the Federal Records Center Program annually retains 98 percent of its customers.

1.4 Within 30 days of the end of an administration, 100 percent of Presidential and Vice Presidential materials have been moved to NARA locations or NARA-approved facilities.

1.5 By 2009, 100 percent of our Continuity of Operations Plans (COOP) meet the requirements for viability.

1.6 By 2009, NARA has established a supportive partnership with FEMA in the national response to emergencies in 100 percent of FEMA regions.

FY 2007 Resources Available to Meet This Goal: $29,867,000; 1,386 FTE

1.1 FEDERAL RECORDS MANAGEMENT

FY 2007 Objectives

☑ Analyze survey results and expand to senior Federal agency managers to assess their views of their records management programs as positive tools for risk mitigation.

☑ Conduct one records management study.

Results

✔ We analyzed the results of our survey and revised the survey for a wider audience.

✔ We conducted a records management study of nine Federal agencies with headquarters and field offices on their experiences with Records Management Applications.

Discussion NARA's FY 2003 issuance of *Strategic Directions for Federal Records Management* largely guides the work in this area. Many of the strategies described in this guide—training and certification, flexible scheduling, targeted assistance, general records schedules, guidance and regulations, advocacy, custody, appraisal, resource allocation— are now part of our standard business practices. Thus, we no longer highlight these strategies individually. Instead, through surveys and other assessments, we monitor the outcome these strategies have had on the way Federal managers view their records management practices in their own agencies and their satisfaction with NARA records management services.

Last year we conducted a new survey of Federal agency managers designed to elicit information about how Federal agency managers view the role of their agency's records management program as a tool for risk mitigation. We distributed the survey to a small group of agency Chief Information Officers, who were familiar with the value of records management programs. This year we analyzed the survey results and developed a plan to broaden the survey demographic to include other senior Federal agency managers. We have identified a new target audience for surveying in FY 2008 to include General Counsels and Chief Financial Officers of the same 29 agencies surveyed in FY 2006.

We also conducted a records management study to examine headquarters and regional agency records managers' experiences with Records Management Applications (RMA). This was a limited study of nine Federal agencies, analyzing their success and contributing factors in implementing RMA's. The study informed NARA staff about the impact of RMA's on Government operations and provided lessons learned to share with Federal agencies. We also assessed how agencies use RMA's to capture and file email records.

Performance Data	**2006**	**2007**
Percent of senior Federal agency managers who view their records management programs as a positive tool for risk mitigation.	81*	–

*The FY 2006 survey was limited to Chief Information Officer responses.

FY 2008 Performance Plan Evaluation We will target the survey of how Federal agency managers view the role of their agency's records management program as a tool in risk mitigation at other senior level executives in Federal agencies. We are finalizing the report of the records management study we did this year, and developing plans for follow on activities in FY 2008 with another sample of agencies, including a cabinet-level agency. We will also conduct two new records management studies.

1.2 NARA RECORDS MANAGEMENT SERVICES

FY 2007 Objectives   ☑ Increase the percentage of Federal agency customers that are satisfied with NARA records management services.

☑ Increase by 10 percent the number of records management training participants who took a NARA records management course for the first time.

☑ Launch first official version of the Toolkit for Managing Electronic Records online.

☑   Register records management services into
Core.gov.

Results
*"Your staff are always polite, patient,
and professional."*

✔   We increased to 80 percent the number of
Federal agency customers that are satisfied with
NARA records management services.

*"I am preparing my staff for disaster
recovery of our vital records.
Training on risk mitigation was a
great help."*

✔   We increased by 42 percent the number of
records management training participants who
took a NARA records management course for
the first time.

"The toolkit is really cool."

✔   We launched the first official version of the
Toolkit for Managing Electronic Records online
and added three new tools.

✔   We registered Records Management Services
into *CORE.gov*.

Discussion   NARA's ability to provide agency records managers with the guidance, tools,
and assistance they need to meet their agencies' business needs is critical to ensuring
effective operations of Federal programs. NARA's success in meeting those needs is the
basis for evaluating its service to the Federal Government. Records managers are the
most important audience for NARA's records management services, and they are best
able to judge our success. We expanded the survey to gauge customer satisfaction with
NARA records management services this year to include an online questionnaire for
rating satisfaction with scheduling and appraisal services, electronic records guidance,
and records management training services. (In FY 2006, we limited our questions to our
scheduling and appraisal services.)

An example of how NARA worked closely with agencies on records management issues
includes our partnerships to schedule records in core function electronic systems, which
resulted in approved schedules for more than 1,000 systems. Also of note, NARA joined
with the EPA, the Department of Treasury, and the Department of Interior in pilot
projects to assist them in implementing the Records Management Profile. These projects
help ensure that new IT systems include appropriate electronic records management
requirements, and that the electronic records can be appropriately managed throughout
the entire life cycle of the records. NARA also sponsored a web briefing for all Federal
CIOs and Records Officers on the E-Government Act of 2002 and its requirements for
Federal agencies on improving the management of electronic records.

We significantly exceeded our target to train 10 percent more first-time participants in
records management courses than we trained last year. We trained more than 5,000
Federal agency customers this year, more than 2,100 of which were first-time attendees.
We accomplished this by expanding on-site training opportunities to Federal customers
across the country. We believe that this surge of interest in NARA's records management
training is due to increased interest in our professional certification program that leads to
a Certificate of Federal Records Management Training. Since the certification program
began in FY 2005, we have certified 587 professional records managers.

NARA fully deployed the Toolkit for Managing Electronic Records (*http://toolkit.archives. gov*) after a soft launch in FY 2006. This online resource for Federal agencies allows them to share quickly and economically guidance on electronic records. The Toolkit is a web portal that provides descriptions and links to guidance for managing electronic records and resources developed by NARA and other organizations. The collection is searchable by topic, occupation, the organization that created the tool, or within the descriptive text. This year we added 37 new tools to the Toolkit, as well as a new cohort of Federal Bureau of Investigation (FBI) tools. In addition, NARA held the first Toolkit training session for the National Records Management Program.

The Records Management Services (RMS) project makes available functional requirements for software service components that support management functions and activities to government, industry, and academia. With input from other Federal agency stakeholders, the requirements for developing records management service components became the basis for a Request for Information issued by the Object Management Group to industry last year. This year we registered the RMS specifications and other materials in the *CORE.gov* repository, for wider distribution within the Federal Government.

Performance Data	2003	2004	2005	2006	2007
Performance target for percent increase in the number of Federal agency customers that are satisfied with NARA records management services.	—	—	—	*10*	*10*
Percent of Federal agency customers that are satisfied with NARA records management services.*	—	—	57	78	80
Performance target for percent increase in the number of records management training participants who are taking a NARA records management course for the first time.	—	*10*	*10*	*10*	*10*
Percent of records management training participants taking a NARA records management course for the first time.	—	11	32	35	42
Number of Federal agency staff receiving NARA training in records management and electronic records management.	3,497	4,166	3,366	4,234	5,047
Number of records management training participants who are taking a NARA records management course for the first time.	—	442	1,069	1,484	2,122
Number of records management training participants that NARA certified this year.	—	—	45	275	267
Median time for records schedule items completed (in calendar days).	155	253	372	334	284
Average age of schedule items completed (in calendar days).	274	332	339	374	452
Number of schedule items completed.	4,686	3,182	4,248	3,884	2,992
Number of open schedules in the backlog.	268	315	379	363	402

*The 2005 and 2006 surveys only asked about satisfaction with NARA scheduling and appraisal services. The 2007 survey expanded questions to all of NARA's records management services.

FY 2008 Performance Plan Evaluation   We will complete the analysis and report on the results of our customer service survey. We will continue to increase records management training participation, expanding our availability to Federal employees through a variety of strategies.   We will also assess flexible scheduling, one of our tactics under the Records Management Initiatives, to determine its effectiveness for agencies and NARA.

1.3 FEDERAL RECORDS CENTER PROGRAM

FY 2007 Objectives	☑	Retain 98 percent of Federal Records Center Program customers.
	☑	Make ready 95 percent of Federal agency reference requests within the promised time.
	☐	Answer 75 percent of written requests to the National Personnel Records Center within 10 working days.
	☑	Implement results of the production scan pilots.
	☑	Award contract for the development of the Archives and Records Center Information System (ARCIS).
	☑	Offer additional e-media storage services, such as data conversion and tape rotation.
Results	✔	We retained 100 percent of Federal Records Center Program customers and added 3 new customers.
	✔	We made ready 95 percent of Federal agency reference requests within the promised time.
	✔	We answered 65 percent of requests to the National Personnel Records Center within 10 working days.
	✔	We implemented the results of the production scan pilots.
	✔	We awarded a contract for the development of the Archives and Records Center Information System (ARCIS).
	✔	We rolled out additional e-media storage services, including data conversion and tape rotation, in some of our Federal Records Centers.

Discussion   The NARA Federal Records Center Program (FRCP) plays a vital role in the lifecycle of Federal records. The program's Federal agency customers rely on the FRCP to manage the transfer, storage, and service of their non-current records. The FRCP works closely with NARA's records management program to ensure that agencies' vital records are efficiently and appropriately managed for as long as needed. As more Federal

records are created and managed in electronic formats, NARA is responding by providing economical and effective electronic records services at our records centers.

Since FY 2000, NARA's FRCP has been fully reimbursable, allowing us to be more flexible in responding to agency records needs and requiring us to meet those needs in a cost-effective and efficient way. Our ability to satisfy and retain our customers is dependent on our ability to meet their needs and to anticipate the kinds of services that will be most useful to them. The FRCP retained 100 percent of its customers in FY 2007. This is an important indicator of customer satisfaction with FRCP's services. A new publication, "The FRC Toolkit: Your Guide to Federal Records Center Services," released this year puts all the information the FRC customer needs in one place (*archives.gov/frc/pdf/toolkit.pd*f).

The FRCP implemented scanning services and offered additional electronic media storage services in several of its facilities this year. FRCP's scanning services allow Federal agencies to receive copies of their records via e-mail after their records are scanned at FRCP storage facilities in Texas and Washington, DC. These facilities also have new state-of-the-art storage and disposal centers for electronic media. These facilities securely store and protect a variety of e-media storage, and use a specially equipped shredder to properly dispose of electronic tape, CDs, and other e-media.

The FRCP awarded a contract to build the Archives and Records Center Information System (ARCIS) (previously named RCPOS), a system which will allow NARA to electronically manage records storage and improve the efficiency of storage processes. ARCIS will replace an outdated and costly patchwork of computer support systems, allowing us to streamline our business processes and give customers what they expect— real-time, web-enabled access to their holdings and transaction information. We are also working to ensure that ARCIS data requirements align with the services planned in ERA for a smooth interface.

One of our biggest customer service challenges in recent years has been to reduce the response time for requests for veterans' records. At the National Personnel Records Center (NPRC) in St. Louis, we are completing a multi-year business process re-engineering project to bring the average response time on requests for modern military service records from several weeks to 10 working days, particularly for military service separation requests, which make up a large proportion of the requests we receive. We fell short of our goal for answering military separation requests within 10 working days 95 percent of the time. We were able to answer 90 percent within 10 working days, a significant improvement from 75 percent in 2004. The average age of completed requests remained at about 7 days this year, a significant improvement from 16 days in 2004, while the number of requests we answered rose by 28 percent during the same period.

For the first time this year we are also reporting on the collective response time for all requests coming to the NPRC, including those received for civilian records and other military records, not just military service separation records. While this more than doubles the universe of records we are measuring to more than one million, it includes responses to records that we are able to service easily and records that require significant effort for response, like those burned in the 1973 fire at NPRC that we must reconstruct from other records. This year, we missed the target we set for responding to requests for the entire collection of NPRC records within 10 working days. This was due, in part, to an increase in the backlog of new requests early in the year. By the end of the year, with additional resources applied, the backlog had returned to a more reasonable level. We believe that there is some understatement of our performance this year. This occurs

because our case management system cannot track the waiting time for interim responses to requests, for example, when we must ask for additional information to fulfill a request, or when a request for archival records requires customer payment. We have developed the methodology for adjusting for these delays in FY 2008 data.

Performance Data	2003	2004	2005	2006	2007
Performance target for percent of customers retained by Federal Records Centers (FRC) annually.	–	–	–	–	*98*
Percent of customers retained by FRC's annually.	–	–	–	–	100
Number of customers (agreements) served annually.	–	–	–	–	142
Number of new customers (agreements) per year.	–	–	–	–	3
Percent of revenue coming from new services.	–	–	–	–	0.2
Percent increase in cubic feet of holdings stored by FRC Program (FRCP).	–	–	–	2	1.7
Percent of pre-archival records stored by the FRCP.	–	–	11	12	13
Performance target for percent of Federal agency reference requests ready within the promised time.	*90*	*90*	*95*	*95*	*95*
Percent of Federal agency reference requests ready within the promised time.	94	96	97	98	97
Percent of records center shipments to Federal agencies that are the records they requested.	99.99	99.99	99.99	99.99	99.99
Performance target for customers with appointments for whom records are waiting at the appointed time.	*99*	*99*	*99*	*99*	*99*
Percent of customers with appointments for whom records are waiting at the appointed time.	99.9	99.3	99.4	99.8	99.9
Performance target for percent of written requests to the National Personnel Records Center answered within 10 working days.	–	–	–	–	*75*
Percent of written requests to the National Personnel Records Center answered within 10 working days.	38	56	59	67	65
Number of written requests to the National Personnel Records Center answered within 10 working days (in thousands).	345	564	606	739	740
Number of written requests for civilian records to the National Personnel Records Center answered within 10 working days (in thousands).	131	167	162	179	174
Number of written requests for military records to the National Personnel Records Center answered within 10 working days (in thousands).	213	397	444	559	566
Number of written requests to the National Personnel Records Center answered (in thousands).	907	1,005	1,031	1,108	1,136
Performance target for requests for military service separation records at the National Personnel Records Center answered within 10 working days.	–	*70*	*95*	*95*	*95*
Percent of requests for military service separation records at the National Personnel Records Center answered within 10 working days.	37	75	87	91	90
Number of military service separation records (DD-214) requests answered (in thousands).	390	372	352	442	475
Average price per request for military service separation records.	$29.70	$29.70	$29.70	$29.70	$29.70
Percent of requests for all military service records at the National Personnel Records Center (NPRC) in St. Louis answered within 10 working days.	28	48	51	61	59

FY 2008 Performance Plan Evaluation   We will use our business model for the FRCP for electronic records services to deliver cost-effective, valuable services to our agency customers. The knowledge and experience we gain from pilots are used to refine our services and prices for next year. We will also provide close oversight of the development contract for ARCIS.

1.4 PRESIDENTIAL TRANSITIONS

FY 2007 Objectives	☑	Hire and begin staff training for George W. Bush Presidential Library on processing of Presidential records and initial control of the Bush gift collection.
Results	✔	We hired and trained staff for the George W. Bush Presidential Library.

Discussion In January 2009, NARA will become the custodian of the records and artifacts documenting the Presidential Administration of George W. Bush. In preparation for the work ahead, NARA hired four new archivists, who began training in issues related to Presidential records and the establishment of a Presidential library. We know that this Administration will transfer to NARA more textual and exponentially more electronic Presidential and Vice Presidential records than any previous Administration. To ensure the preservation of these records for historical, informational, administrative, and evidentiary purposes and to prepare for the transfer of Presidential and Vice Presidential records to our custody, this staff will work with White House and Vice Presidential staffs to account for Presidential records in all formats.

FY 2008 Performance Plan Evaluation We will continue hiring and training new staff. This staff will continue our established working relationships with the White House. They will provide support on the management of records and artifacts, including the White House Office of Records Management (WHORM), the White House Office Gift Unit, the White House Communications Agency, the Office of the Vice President, and the National Security Council Access and Records Management Staff. With the approval of Presidential and Vice Presidential representatives, this staff will prepare inventories, define requirements, and facilitate preparation of other inventories by White House staff, and gather inventories prepared throughout the Administration by White House staff. We also will provide archival guidance and advice to the Presidential and Vice Presidential staffs on the recordkeeping and disposition requirements of the Presidential Records Act (PRA). This staff will survey, analyze, and prioritize electronic records systems that will need to be online immediately, and will be taking in and plan for their migration over time. We will also procure and begin to outfit leased space for the temporary storage of Administration records until they move into their final destination at a new Presidential Library.

1.5 CONTINUITY OF OPERATIONS

FY 2007 Objectives	☐	Achieve 100 percent viability on developed NARA Headquarters Continuity of Operations Plans.
	☐	Issue Federal Information Processing Standard (FIPS) 201-1 Federal Identity Credentials to

occupants of the National Archives Building.

☑ Manage 75 percent of the documents submitted for publication in the Federal Register using eDOCS.

Results

✓ We trained Emergency Planning Coordinators and signed a contract for facility renovation.

✓ We planned for the issuance of FIPS 201-1 Federal Identity Credentials to NARA employees around the country based on the availability of GSA certified equipment.

✓ We managed 81 percent of the documents submitted for publication in the Federal Register using eDOCS.

Discussion   Continuity of Operations Plans (COOP) are required to ensure that agencies and facilities can perform essential functions under a broad range of circumstances. The requirements for viability of these plans are spelled out in Continuity Directive #1 and include ongoing exercises of the plans and frequent assessments. This year, while we failed to meet our goal of achieving viability on our Continuity of Operation Plans, we made steady progress toward that goal. We developed a Continuity and Emergency Working Group to work on various aspects of the COOP. We signed a memorandum of understanding with the US Navy to develop a COOP site at an alternate location outside the 50-mile perimeter from our Headquarters facilities, signed a buildout agreement, and ordered the site furnishings.

Homeland Security Presidential Directive 12 requires all Federal agencies to issue Federal Identity Verification (FIV) cards that comply with the standards contained in FIPS 201-1. This year we worked with GSA to obtain equipment for producing the cards at our three largest facilities and identified the challenges in rolling out identity cards to our locations around the United States. NARA signed an interagency agreement with GSA to issue PIV cards to our staff in 34 of our facilities nationwide. NARA and GSA also signed an interconnection security agreement (ISA) covering the enrollment stations that NARA will be leasing from GSA and operating in our facilities. That ISA establishes GSA as the authority responsible for the certification and accreditation of the equipment. Late availability of the equipment delayed issuance of the PIV cards to employees of the National Archives Building.

The Office of the Federal Register continues its transition to an electronic work environment. The Electronic Editing and Publishing System (eDOCS) enables agencies to submit digitally-signed, legal documents to our office electronically. Today, more than 1,000 offices and 300 Federal departments and agencies send documents from all over the United States to us for publication in the Federal Register. We process an average of 150 documents each day. We exceeded our goal of 75 percent, managing 81 percent of the documents submitted for publication electronically.

Performance Data	2004	2005	2006	2007
Performance target for percent of developed NARA Continuity of Operations Plans that achieve viability.	–	–	–	*100*
Percent of NARA Continuity of Operations Plans that achieve viability.	–	0	0	0
Number of approved continuity of operation plans.	–	3	3	3
Performance target for percent of documents Office of the Federal Register manages electronically using eDOCS.	–	*50*	*75*	*75*
Percent of documents Office of the Federal Register managed electronically using eDOCS.	9	22	75	81
Number of documents managed electronically using eDOCS.	3,032	7,066	18,316	24,849
Number of digitally-signed, legal documents submitted using eDOCS.	–	–	–	5,672

FY 2008 Performance Plan Evaluation   We will continue to develop the resources required to support COOP operations and those aspects of our mission that provide opportunities to leverage technology to increase our ability to conduct interagency business operations electronically. We will roll out HSPD-12 compliant identification as the equipment becomes available.

1.6 RECORDS IN THE NATIONAL RESPONSE TO EMERGENCIES

FY 2007 Objectives	☑	Establish a supportive partnership in the national response to emergencies in 50 percent of FEMA regions.
Results	✓	We established a supportive partnership in the national response to emergencies in 60 percent of FEMA regions.

Discussion In response to lessons learned from hurricanes Katrina and Rita, NARA established in its Strategic Plan a "First Preserver" role to promote the preservation of government records during times of disaster. This year we developed relationships that will allow us to meet the challenge of preserving Federal records in times of disaster.

The National Response Framework Emergency Support Function #11 Annex now recognizes records in its current draft. We worked with the Council of State Archivists and Federal Emergency Management Agency (FEMA) to develop strategies and secure funding for delivering disaster preparedness and recovery training that addresses vital records to all levels of government. We began a series of meetings with FEMA staff across regions. We also developed web-based training and delivered a classroom module on disaster preparedness and recovery for vital records to Federal agencies in 12 locations.

Performance Data	2005	2006	2007
Performance target for percent of FEMA regions in which we have established a supportive partnership in the national response to emergencies.	–	–	*50*
Percent of FEMA regions in which we have established a supportive partnership in the national response to emergencies.	–	–	60

FY 2008 Performance Plan Evaluation   We are currently participating in ESF #11 Annex of the National Response Framework (NRF), designated as a subtask agency for responding to emergencies involving government and historical records. With the release of the next

draft of the NRF ESF #11 Annex, we expect to be able to participate more fully. We will continue our efforts in developing partnerships with FEMA staff across the country. We will also continue to work with the Council of State Archivists in develop its FEMA grant-funded curriculum to deliver vital records training to state, tribal, and local governments.

Strategic Goal 2: Preserve and Process

We will preserve and process records to ensure access by the public as soon as legally possible.

Long-Range Performance Targets

2.1 By 2016, 85 percent of scheduled transfers of archival records are received at the scheduled time.

2.2 By 2016, 95 percent of archival holdings have been processed to the point where researchers can have efficient access to them.

2.3 By 2012, 75 percent of agency declassification reviews receive high scores as assessed by the Information Security Oversight Office (ISOO).

2.4 By 2016, NARA archival holdings of 25-year-old or older records are declassified, exempted, or referred under the provisions of Executive Order 12958, as amended.

2.5 By 2016, 100 percent of archival holdings are stored in appropriate space.

2.6 By 2009, 100 percent of NARA records center holdings are stored in appropriate space.

2.7 By 2016, less than 50 percent of archival holdings require preservation action.

FY 2007 Resources Available to Meet This Goal: $126,935,000; 544 FTE

2.1 ACCESSIONING RECORDS

FY 2007 Objectives

☑ Identify and schedule 10 percent more Federal agency electronic records series than we scheduled in FY 2006.

☐ Define and develop two standard templates for records transferred to NARA.

Results

✓ We identified and scheduled 33 percent more Federal agency electronic records series than we scheduled in FY 2006.

✓ We defined the general outline of two standard transfer format templates for records transferred to NARA.

Discussion Getting Federal agency electronic records series scheduled helps ensure that permanent electronic records are transferred to NARA on a regular basis and in an

acceptable format so they can be preserved and accessed. It also ensures that those electronic records not deemed historically valuable are retained for a sufficient period to ensure legal rights and government accountability. In scheduling more than 1,300 electronic records series this fiscal year, we are working directly with agencies to ensure that records are identified and retained.

We are also developing templates based on existing NARA guidance to facilitate the transfer of electronic records to NARA's Electronic Records Archives (ERA) once it becomes operational.   These templates will serve two purposes in ERA: first, to support agencies in creating and transferring electronic records in a manner designed to increase their accessibility in the future; and second, these templates will enable us to examine transferred records for potential access and preservation challenges. The implementation of these templates was delayed to FY 2008 to coincide with the second release of ERA.

Performance Data	**2006**	**2007**
Performance target for percent increase in number of Federal agency electronic records series scheduled than prior year.	–	*10*
Percent increase in number of Federal agency electronic records series scheduled than prior year.	–	33
Number of Federal agency electronic records series scheduled.	1001	1332
Percent of transfers of archival electronic records transferred to NARA at the scheduled time.	16	5
Number of transfers of electronic records expected.	177	738
Number of transfers of electronic records received on time.	28	35
Backlog of overdue transfers of electronic records.	94	797

FY 2008 Performance Plan Evaluation   We will continue to refine and develop templates based on user feedback in the coming year.   In addition, we will continue working with agencies to identify Federal electronic records that need to be scheduled, and encourage Federal agencies to send their scheduled electronic records to NARA when they are due for transfer.

2.2 PROCESSING RECORDS

FY 2007 Objectives	☐	Establish new business processes for processing archival holdings.
	☐	Establish baseline of unprocessed backlog of archival holdings and create the capability to measure it accurately.
Results	✓	We established new business processes for processing archival holdings in our Washington, DC, facilities.
	✓	We established a measurement baseline of the backlog of archival textual holdings in Washington, DC, facilities and created the capability to measure it accurately.

Discussion   Archival processing involves all the steps needed to open a record to the public. It includes establishing basic intellectual control, flagging records that have

privacy or national security classifications, providing enhanced descriptions of the records content as well as the context in which the records were created, and performing initial preservation so that we can serve the records to the public. New technology has created increased opportunities for easier and faster access to our holdings. However, the same technology has led to more records being created. The result is that new records are being accessioned (transferred to the legal custody of the National Archives) faster than they can be processed. This has created a backlog of holdings that has been growing for decades. While we can still provide records in the backlog to the public, it is inefficient to do so and more difficult for the public to be able to locate independently these holdings for research. We developed a study focused on the textual record backlog in FY 2006 to examine the extent of the problem and, as a result, we began work to re-engineer our business processes to increase efficiencies. In the Washington, DC, area where the bulk of the backlog resides, we adjusted our processes and reassigned resources to tackle the problem.

We have also implemented plans to assess the extent of the problem and propose new business processes to deal with the backlog in our Presidential libraries and regional archives around the country. This work will continue into FY 2008.

Performance Data	2003	2004	2005	2006	2007
Performance target for percentage point increase in the number of archival holdings that have been processed to the point where researchers can have efficient access to them.	—	—	—	—	*Establish baseline*
Percentage point increase in the number of archival holdings that have been processed to the point where researchers can have efficient access to them.	—	—	—	—	21*

*Data reported in 2007 reflects only Washington, DC, area work.

FY 2008 Performance Plan Evaluation We will continue to assess how changes in processing operations can improve processing productivity. We will develop the methodology to measure processing at facilities outside the Washington, DC, area.

2.3 GOVERNMENT-WIDE DECLASSIFICATION

FY 2007 Objectives	☑	Streamline the declassification process and support the establishment of a National Declassification Initiative to assist agencies in reviewing their equities in classified holdings.
	☐	Conduct 12 Executive Branch declassification program reviews.
	☐	Establish baseline scores of agency declassification reviews assessed by ISOO.
Results	✓	We streamlined the declassification process and supported the establishment of a National Declassification Initiative.
	✓	We conducted 1 formal and 2 informal Executive Branch declassification program reviews.
	✓	We performed initial planning for developing a

scoring methodology of agency declassification reviews assessed by ISOO.

Discussion: In 2003, the President issued Executive Order 13292 amending Executive Order 12958. Among the many changes was the extension of the automatic declassification deadline for 25-year-old or older historically significant classified records from April 17, 2003, to December 31, 2006, for most records; to December 31, 2009, for records with classified equities belonging to more than one agency; to December 31, 2011, for most records consisting of special media; and to December 31, 2016, for records consisting of special media and containing classified information belonging to more than one agency. While the Executive branch, for the most part, fulfilled its initial obligations to satisfy the 2006 deadline, the referral process to address multiple classified equities has been inefficient, highly redundant, and prone to error. NARA initiated a National Declassification Initiative this year to address these problems. A more detailed discussion of NARA's efforts can be found in the MD&A on page 19 and in Target 2.4 on page 60.

The Information Security Oversight Office (ISOO), administered by NARA, oversees the Executive branch-wide security classification program and reports annually to the President on its status. ISOO collects data about agencies' programs as a means of assessing those programs. Credible data are essential to making these assessments. An important component of the security classification program is declassification, in particular the automatic declassification program. ISOO expended extensive effort this year to promote agency understanding of the technical aspects of the automatic declassification provision of the Order and consistency in application throughout the Executive branch.

In a related effort, we continued to work on follow-up actions to address issues identified during our 2006 "Audit of the Withdrawal of Records from Public Access at the National Archives and Records Administration for Classification Purposes." We expect to close out those actions in early FY 2008. Because of this continuing work, we were unable to reach our target for completing 12 new Executive branch declassification program reviews this year. We were only able to complete one formal review and conduct two informal reviews. However, we see these reviews as very important and we are reassessing our means for accomplishing these reviews on a regular basis. We were also only able to make some initial progress in developing a scoring methodology of agency declassification programs assessed during ISOO reviews.

ISOO chairs the interagency Classification Management Working Group (CMWG), which develops and recommends policy concerning security classification matters to Government and industry. With coordination from the CMWG, ISOO drafted changes to 32 CFR Part 2001, that are intended to further streamline the referral process, reduce redundancies in declassification reviews, promote accurate and consistent declassification decisions, improve equity recognition across the declassification community, develop centralized priorities and management controls around the priorities, and make the declassification process more transparent to the public.

Performance Data	2003	2004	2005	2006	2007
Performance target for percent increase in number of agency declassification reviews that receive high scores as assessed by ISOO.	–	–	–	–	*Establish baseline*

Performance Data	2003	2004	2005	2006	2007
Number of agency declassification reviews that receive high scores as assessed by ISOO.	–	–	–	–	–
Number of agency declassification reviews assessed by ISOO.	–	–	–	–	–
Number of pages declassified government-wide (in millions of pages)	43.1	28.4	29.5	37.6	TBD
Total cost of declassification Government-wide (in millions of dollars)**	$53.8	$48.3	$57.0	$44.0	TBD

*FY 2007 data is collected from Federal agencies and will be reported to the President in 2008.
**Total cost figures exclude those of the CIA and other intelligence agencies that report their costs as classified.

FY 2008 Performance Plan Evaluation   ISOO will complete review of proposed changes to 32 CFR Part 2001 and publish the final rule. Meeting the targets of Executive Order 12958, as amended, will continue to be a significant challenge.

2.4 NARA DECLASSIFICATION

FY 2007 Objectives	☑	Implement the National Declassification Initiative to work collaboratively with agencies on resolving their equities in NARA's classified holdings.
	☑	Index 1 million pages for the Interagency Referral Center.
	☑	Scan 500,000 pages of Presidential archival materials eligible for declassification review as part of the Remote Archives Capture project.
Results	✓	We implemented the National Declassification Initiative and processed nearly 2,000 cubic feet of classified holdings.
	✓	We indexed 3.9 million pages for the Interagency Referral Center.
	✓	We scanned 511,602 pages of Presidential archival materials eligible for declassification review as part of the Remote Archives Capture project.

Discussion   We established the National Declassification Initiative to provide an efficient and effective means of handling the referral of classified equities between Executive branch entities, with the ultimate goal of transparency and proper access. There are approximately 160,000 cubic feet of classified records with multiple equities in NARA's DC area facilities alone. Executive Order 12958, as amended, requires that certain classified records older than 25 years be automatically declassified unless otherwise appropriately exempted, referred, or delayed. To ensure that agencies with a stake or equity review these records prior to final declassification, we established the Interagency Referral Center (IRC). The IRC helps resolve multiple equities between agencies in a common classified space, using simplified business processes for agency reviewers.

Further, NARA indexes the records in advance so that agencies have a specific portfolio of relevant classified material for review. This year we indexed nearly 4 million pages in preparation for agency reviews. However, the number of pages we can index depends on the quality of the reviews that the originating agencies perform before they send us the classified material.

To address concerns about that quality, the NDI established a regular quality assurance (QA) team made up of members of the agencies holding equities in the records. Prior to our indexing work, they review samples of records as received from the originating agencies. Their concern is whether the originating agencies did a good job and whether they correctly flagged other agencies' equities in the records. This work is now moving well, but the NDI reviewers are finding more problems than expected in the originating agency reviews. The QA team, sometimes on the spot, can remediate many of these problems. However, the process has become the new bottleneck in declassification processing. Obviously, we need to improve the quality of the original agency reviews. NARA, including ISOO, and the NDI team are working to that end.

We are also working in partnership with the CIA and other classifying agencies in the Government to declassify materials held in the Presidential Libraries. Given the geographically diverse location of these libraries, we are using a program we developed called the Remote Archives Capture project that allows the secure scanning and transmittal of classified materials for review in Washington by equity holding agencies. This year we again exceeded our goal of scanning 500,000 pages, scanning 511,602 pages; however, our future workload will increase significantly as Reagan administration records become 25 years old and eligible for declassification review.

Performance Data	2003	2004	2005	2006	2007
Performance target for annual number of pages indexed through the Interagency Referral Center (in thousands)	–	–	–	–	*1*
Annual number of pages indexed through the Interagency Referral Center (in thousands)	–	–	–	–	3,993
Start-of-year backlog of pages of Federal records that are more than 25 years old for which NARA has declassification authority (in thousands).	18,980	25,581	25,020	25,483	23,700
Annual percentage of Federal records NARA reviewed that are more than 25 years old for which NARA has declassification authority.	7	2	2	2	5
Annual number of Federal pages* reviewed (in thousands).	1,256	547	605	602	1,168
Annual number of Federal pages* declassified (in thousands).	340	116	35	89	374
Annual number of Federal pages* released (in thousands).	1,092	994	527	562	1,138
Start-of-year backlog of Presidential materials that are more than 25 years old for which NARA has declassification authority (in thousands).	960	806	668	218	218
Annual percentage of Presidential records NARA reviewed that are more than 25 years old for which NARA has declassification authority.	16	17	67	100	100
Annual number of Presidential pages* reviewed (in thousands).	154	138	449	228	227
Annual number of Presidential pages* declassified (in thousands).	71	94	94	89	194

Performance Data	2003	2004	2005	2006	2007
Annual number of Presidential pages* released (in thousands).	71	94	78	89	194
Performance target for annual number of Presidential pages scanned (in thousands).	*600*	*300*	*300*	*500*	*500*
Annual number of Presidential pages scanned (in thousands).	470	500	563	506	512
Cost per page declassified (Federal and Presidential).**	$23.44	$24.29	$27.60	$25.28	TBD

*Statistics represent the pages NARA reviewed that are more than 25 years old for which NARA has declassification authority. This is a subset of overall NARA declassification work.

**Declassification costs are derived from annual reports submitted to ISOO and reported to the President in the following year.

FY 2008 Performance Plan Evaluation   Meeting the targets set forth in E.O. 12958, as amended, will be very challenging. Agencies' cooperation is essential in identifying records subject to the various declassification deadlines set in E.O. 12958, as amended, as well as helping us resolve impediments in meeting these deadlines. We are refining our statistical data to encompass the broader scope of NARA declassification work for FY 2008.

2.5 ARCHIVAL HOLDINGS IN APPROPRIATE SPACE

FY 2007 Objectives	☑	Determine location for a new National Personnel Records Center.
	☑	Develop staging plan for moving military personnel records to the new National Personnel Records Center.
	☑	Complete certification and acceptance of Nixon Presidential Library.
Results	✓	We selected a location for a new National Personnel Records Center in St. Louis County.
	✓	We developed a staging plan for moving military personnel records to the new National Personnel Records Center.
	✓	We completed certification and acceptance of Nixon Presidential Library.

Discussion: The National Personnel Records Center's (NPRC) records are now housed in two facilities, neither of which meets Federal regulatory standards for storage of Federal records. We have selected a site for a new National Personnel Records Center within 9 miles of the present facilities. The location is adjacent to a major interstate highway in St. Louis County and only minutes from Lambert International Airport, making it easily accessible for staff and researchers alike.

We completed a staging plan for NPRC's military personnel records this year in preparation for their move. This plan will enable us to move these records safely and securely to coincide with the readiness of space in the new facility. We are using the

opportunity afforded in this planning to replace broken or damaged boxes. We performed a similar assessment of civilian personnel records and are performing box replacement there, too.

As a result of legislation that allowed for the creation of a federally-operated Richard Nixon Library, we certified and accepted the Nixon Presidential Library into NARA's Presidential Library system this year. The completed two-phase renovation project to retrofit the existing library included improvements to storage spaces, processing rooms, the research room, and staff offices. We completed a design for an expansion addition adjacent to the existing library, which will house the balance of the archival holdings. We began moving Nixon artifact materials from storage in Laguna Niguel, CA, and College Park, MD, to the renovated library. Eventually we will bring all the records of the Nixon presidency under one roof in Yorba Linda, CA.

Through energy savings changes we put into effect over the past several years, we were able to reduce our energy consumption NARA-wide by 14 percent in 2006 and we expect similar reductions in 2007. Overall, our cost per cubic foot to store our archival holdings this year was $6.20, slightly less than last year's cost. As we work to lower our storage costs while bringing more facilities into compliance with our archival storage standards, we face a number of factors that work against that goal, including rising rent costs, higher utility rates, and the costs associated with maintaining security at our facilities. We can balance our costs by locating our public use facilities in areas where they reach the greatest number of possible users while leasing facilities designed for long-term storage in lower cost areas.

This is the approach we are taking with the move of regional archives operations out of sub-standard space in Kansas City and Fort Worth. NARA signed an occupancy agreement with GSA for a new Kansas City regional archives space in a newly renovated building located in the downtown Union Station complex. The location is ideally suited for exhibits, educational programs, and other public outreach efforts, with a selection of records stored at the new archives, and the bulk of the records stored at the nearby Federal Records Center in Lenexa, KS. A plan to relocate the Fort Worth regional archives to the cultural district of Fort Worth is under consideration, but a final decision on the site has not been made. Meanwhile, records will be moved to an archival bay at the new Fort Worth FRC until a new site is finalized.

Performance Data	2003	2004	2005	2006	2007
Percent of NARA archival traditional holdings in appropriate space	–	52	54	58	80
Number of archival traditional holdings (in thousands of cubic feet)	3,025	3,100	3,167	3,299	3,349
Percent of artifact holdings in appropriate space	–	42	42	42	42
Number of artifact holdings (in thousands)	528	540	544	544	544
Percent of electronic holdings in appropriate space	100	100	100	100	100
Number of electronic holdings (in millions of logical data records)	–	3,238	4,041	4,611	4,737
Performance target for cost of compliant archival storage space per cubic foot of traditional holdings stored (adjusted for inflation).	–	–	–	–	$5.78
Cost of archival storage space per cubic feet of traditional holdings stored	–	$6.11	$6.48	$6.65	$6.20

FY 2008 Performance Plan Evaluation We will continue to focus on maintaining storage facilities that meet archival requirements while keeping costs for archival storage as low as possible.

2.6 NARA FEDERAL RECORDS CENTER HOLDINGS IN APPROPRIATE SPACE

FY 2007 Objectives	☑	Complete construction of new records center facility in Fort Worth, Texas.
	☑	Complete 100 percent of the move into the new records center facility in Fort Worth.
	☐	Complete 100 percent of the move from Bannister Road records center in Kansas City.
Results	✔	We completed construction of new records center facility in Fort Worth, Texas.
	✔	We moved roughly 1 million cubic feet of records into the new records center facility in Fort Worth.
	✔	We completed 75 percent of the move from Bannister Road records center in Kansas City.

Discussion: This year we completed construction of the new record center facility in Fort Worth, Texas. This state-of-the-art facility meets the standard for the storage of temporary records, and contains an archival bay that meets archival storage standards for Fort Worth regional archives holdings that are stored there. We finished the move of records to this new facility, a significant task that relocated nearly 1 million cubic feet of records from prior records center space that did not meet the storage standards.

We did not meet the goal of moving all the records out of the old records center facility on Bannister Road in Kansas City, but we expect to complete the move during the first quarter of FY 2008. We delayed the shipping of these records from the old facility to assist the receiving facility in Lenexa in dealing with an unexpectedly high volume of record transfers at the end of the year. Meanwhile, we were dealing with some complications from the teardown and reinstallation of shelving, creating a slight delay in completing the move. There is no significant or material impact from this delay.

Performance Data	2003	2004	2005	2006	2007
Percent of NARA records center facilities certified as meeting the 2009 regulatory storage standards	–	0	9	9	29
Volume of records center holdings (cubic feet in millions).	23.2	24.1	24.5	25.1	25.7
Storage price per cubic foot for records center holdings.	$2.10	$2.16	$2.16	$2.28	$2.28

FY 2008 Performance Plan Evaluation Our Records Center Program continues to assess infrastructure needs for Federal temporary records and develop compliant storage solutions as necessary.

2.7 PRESERVATION

FY 2007 Objectives   ☐   Establish new baseline of archival holdings
                              requiring preservation action and create the
                              capability to measure it accurately.

                         ☑   Appropriately treat or house 20,000 cubic feet of
                              NARA's at-risk archival holdings to retard
                              further deterioration.

                         ☑   Inventory and rehouse cumulative 69 percent of
                              OMPFs.

Results   ✔   We established new measurement methodology
                              for our archival holdings requiring preservation
                              action.

                         ✔   We appropriately treated or housed nearly
                              54,000 cubic feet of NARA's at-risk archival
                              holdings to retard further deterioration.

                         ✔   We inventoried and rehoused OMPFs so that 79
                              percent are now complete.

Discussion: To ensure that archival records are preserved for as long as possible, we
regularly assess their preservation needs, provide storage conditions that retard
deterioration, and treat, duplicate, or reformat records at high risk for deterioration.
Reviewing our measurement methodology indicated that there was a significant number
of previously unidentified records that required preservation action. This year we
worked to estimate the scope of all preservation work so that we could establish a
baseline upon which to measure more accurately the extent of preservation work still
needed. We continue to have some work to do in this area to ensure that units are
reporting accurately and consistently. We exceeded our goal this year by appropriately
treating or performing holdings maintenance on nearly 54,000 cubic feet of holdings.

At 79 percent, we also exceeded our goal of inventorying and rehousing a cumulative 69
percent of Official Military Personnel records. We achieved this accomplishment by
averaging more than 750 cubic feet of treatment per month.

We made significant progress this year in designing and beginning development of a
holdings management system that will provide: location and space management for
identifying records stored at multiple NARA facilities and quickly locating available
space to store records; circulation management for tracking the circulation of records to
various users; preservation management for effectively managing preservation data,
such as risk levels, condition assessments, and the history of preservation actions; and
inventory management of traditional holdings.

We are also engaged in a multi-year effort to transition from analog to digital equipment
and processes for reformatting records that are on film media. There is a fast-paced,
marketplace-driven transition occurring with major photographic, film, audio, and video
manufacturers reducing or eliminating traditional analog products. Within a few years,
we anticipate that few of the photographic and other analog products that we use today

will be available. We hold significant numbers of records that need reformatting to preserve the information they hold. Without reformatting, much of America's visual and audio documentary heritage from the 19th and 20th-century is in danger, as well as more than 1 billion pages of paper records and images on microfilm. This year we began purchasing new digital equipment to replace our old analog equipment, and began training staff in operating the equipment.

Performance Data	2003	2004	2005	2006	2007
Holdings preserved this year (thousands of cubic feet)	--	--	--	--	*20*
Holdings treated year to date (thousands of cubic feet)	17	19	27	28	54
Cumulative volume of at-risk archival holdings in cold storage (thousands of cubic feet).	74	80	86	90	90
Performance target for cumulative percent of OMPFs inventoried and rehoused.	--	--	*8*	*35*	*69*
Percent of OMPFs inventoried and rehoused.	--	--	5	42	79

FY 2008 Performance Plan Evaluation   We will review our preservation measurement methodology to ensure its accuracy and consistent application across all reporting units. We will also deploy an initial operating capability of the Holdings Management System to an initial set of users. We will continue our transition from analog to digital equipment and processes.

Strategic Goal 3: Electronic Records

We will address the challenges of electronic records in Government to ensure success in fulfilling NARA's mission in the digital era.

Long-Range
Performance Targets

3.1 By 2016, 95 percent of archival electronic holdings have been processed to the point where researchers can have efficient access to them.

3.2 By 2012, 80 percent of archival electronic records are preserved at the planned level of service.

3.3 By 2016, the per-megabyte cost of managing electronic records decreases each year.

FY 2007 Resources Available to Meet This Goal: $62,095,000; 95 FTE

3.1 PROCESSING ELECTRONIC RECORDS

FY 2007 Objectives

☐ 95 percent of archival electronic holdings are processed to the point where researchers can have efficient access to them.

☑ Complete data cleanup and data migration planning from legacy systems migrating to ERA in Increment 1.

Results

✔ We processed 81 percent of archival electronic holdings to the point where researchers can have efficient access to them.

✔ We completed data cleanup and data migration planning from legacy systems migrating to ERA in Increment 1.

Discussion   The growth in the volume of electronic records is enormous. At the end of the last Administration, the White House transferred several terabytes of electronic records to NARA for storage and preservation. When the Bush Administration ends in January 2009, NARA expects to receive several hundred terabytes of e-mail, office automation records, digital photographs, and other multi-media electronic formats. In FY 2007, we received 500 gigabytes of Coast Guard documentation related to Hurricane Katrina. Next year, we anticipate receiving nearly 50 terabytes of data from the 2000 Census.

We will significantly enhance our ability to process promptly archival electronic records with the creation of the Electronic Records Archives (ERA). In the meantime, we maintain our existing systems and complete preparations for migrating the data from our existing systems into ERA when it is ready.

We continue to see a sharp upward trend in the growth of our electronic holdings, as shown in the MD&A chart on page 30. A comparison with last year's report will show a seemingly contrary result: the numbers for all years reported here are much less than the numbers reported for those same years last year. Our holdings have not decreased! Instead, we have deployed a much more sophisticated capability to measure "logical data records" (LDR), our intellectual measure for electronic holdings, through our Archival Management Information System (AMIS). Now, instead of merely counting physical records in files, we can count the records as a user might. Thus, we can now count an email as one LDR, rather than as 30 or so physical records. This change reduces the overall numbers, but gives a more "user-based" count of our holdings. For this report, we have re-measured previous years using this new tool. Not surprisingly, the growth trend in our electronic holdings remains as it has been—steadily increasing.

Performance Data	**2003**	**2004**	**2005**	**2006**	**2007**
Number of archival holdings in NARA's custody (in millions of logical data records).	–	3,238	4,041	4,611	4,737
Performance target for percent of archival electronic accessions processed.	–	–	–	–	*95*
Percent of archival electronic accessions processed.	–	76	80	80	81
Number of accessions received.	–	1,732	1,830	2,010	2,153
Number of accessions accessioned.	–	1,239	1,369	1,517	1,638
Unprocessed accessioning backlog (in accessions).	–	408	367	395	415
Median time (in calendar days) from the transfer of archival electronic records to NARA until they are available for access.	450	736	413	259	467

FY 2008 Performance Plan Evaluation   We will begin migrating data from the legacy systems we use to process electronic accessions to ERA. We may adjust our processing target lower in FY 2008 as we begin the transition to ERA. For a period, we will be processing electronic records with a division of processes between ERA and our legacy systems. Coupled with training demands and the learning curve with a new system, we may not be able to keep up with past performance during FY 2008.

3.2 PRESERVING ELECTRONIC RECORDS

FY 2007 Objectives	☐	Test pilot lifecycle management plans for select electronic records using criteria established for levels of service.
Results	✓	We developed a pilot lifecycle management plan for select electronic records using criteria established for levels of service.

Discussion   We will use a planning mechanism, implemented as an operational feature of ERA, called the Lifecycle Management Plan (LMP) to serve as our roadmap for managing specific accessions. LMP's will allow us to prescribe specific strategies for preservation, access review, and reference activities related to the specific records making up those accessions, and to document the decisions behind those strategies. LMP's will allow us to manage more rigorously and plan for the preservation of Federal records. This year we developed lifecycle management plans for some select records—those of the 9/11 Commission and the Bureau of Labor Statistics—and identified and simulated specific actions that would be taken on these records according to their appropriate level of

service. We are compiling the results of these simulations to inform ERA on implementing the LMP and levels of service in later increments.

FY 2008 Performance Plan Evaluation   We will finalize the results from our study of some select groups of records to inform ERA. We will develop a measurement methodology for preservation at the planned level of service.

3.3 COST OF ELECTRONIC RECORDS MANAGEMENT

FY 2007 Objectives	☐	Complete Acceptance Testing for Increment 1, Release 1 of the ERA system.
	☐	Complete Preliminary Design Review for Increment 2 of the ERA system.
	☐	Achieve initial operating capability of the ERA system.
Results	✔	We received the first drop of Increment 1 of the ERA system and began testing.
	✔	We reviewed the developer's demonstration of the capabilities needed to meet Increment 2, Release 1 requirements for Presidential records.

Discussion   The Electronic Records Archives (ERA) is our leading-edge system that will capture electronic records and information, regardless of format, save them permanently, and make them accessible on whatever hardware or software is currently in use. NARA's strong oversight of the contractor's work gave indication earlier this year that there were various problems in the development of the first incremental build of the system. These problems have led to a delay in delivery of this system for use in NARA operations from September 2007 to June 2008. NARA and the system contractor are working collaboratively on a comprehensive effort to correct or eliminate the conditions that created the problems and to mitigate against additional delays as the program progresses.

A significant part of the delayed delivery of Increment 1 results from the joint decision with the contractor to improve the likelihood that the system will meet requirements by adding three deliveries of parts of the first increment system in pilot mode. The pilots enable us to conduct extensive functional and security tests on the system, and enable the contractor to address any problems found prior to formal delivery for production use. We do not anticipate any impact to NARA's ability to take in, preserve, and manage the electronic records of the Executive Office of the President at the end of the current Administration, as a separate team is pursuing this development on an independent track.

Performance Data	2003	2004	2005	2006	2007
Performance target of percent of NARA's accessions preserved in preparation for their transfer to the Electronic Records Archives.	–	*99*	*80*	*80*	*80*
Percent of NARA's accessions preserved in preparation	–	89	89	89	89

Performance Data	2003	2004	2005	2006	2007
for transfer to ERA.					
Number of accessions preserved.	–	1,541	1,628	1,788	1,915
Number of megabytes of archival electronic records preserved (in millions).	–	1.9	9.5	16.8	17.8
Number of archival holdings in NARA's custody (in millions of logical data records).	–	3,238	4,041	4,611	4,737
Per megabyte cost to preserve archival electronic records.	–	$3.61	$0.70	$0.43	$0.37

FY 2008 Performance Plan Evaluation   We will continue our close oversight and monitoring of ERA and reach Initial Operating Capability of Increment 1. We will complete a prototype for the first release of the Presidential system. We will also continue making business process decisions that shape system development decisions in a timely manner.

Strategic Goal 4: Access

We will provide prompt, easy, and secure access to our holdings anywhere, anytime

Long-Range Performance Targets	4.1. By 2016, NARA customer service standards for researchers are met or exceeded.
	4.2. By 2012, 1 percent of archival holdings are available online.
	4.3. By 2016, 95 percent of archival holdings are described at the series level in an online catalog.
	4.4. By 2012, our web sites score at or above the benchmark for excellence as defined for Federal government web sites.

FY 2007 Resources Available to Meet This Goal: $48,704,000; 291 FTE

4.1 NARA CUSTOMER SERVICE STANDARDS

FY 2007 Objectives

☑ 90 percent of written requests are answered within 10 working days

☐ 95 percent of items requested in our research rooms are furnished within 1 hour of request or scheduled pull time;

☑ 85 percent of Freedom of Information Act requests for Federal records are answered within 20 working days;

☐ 85 percent of online archival fixed-fee reproduction orders are completed in 20 working days or less.

Results

✓ We answered 93 percent of written requests within 10 working days;

"Thanks so much for the information in the three emails and for the time you spent on the phone today."

✓ We furnished 86 percent of items requested in our research rooms within 1 hour of request or scheduled pull time;

"The help you gave me [at] the Eisenhower Library made my first experience of researching at an archives very easy and comfortable."

✓ We answered 88 percent of Freedom of Information Act requests for Federal records within 20 working days;

✓ We completed 72 percent of online archival fixed-fee reproduction orders in 20 working days or less.

Discussion We met or exceeded most of our customer service targets in FY 2007. Our customers received answers to their Freedom of Information Act requests within 20 days 88 percent of the time, despite a 26 percent increase in requests. This consistent upward trend reflects our commitment to provide more timely response to these important requests.

Our commitment to reduce our processing backlog came at some cost this year, particularly in the Washington, DC, research rooms, because it drew on some of the resources we had been using to serve customers in our research rooms. With overall fewer staff to meet our customer service goals in the research rooms, our ability to provide the records requested within 1 hour of request or the scheduled pull time dropped by 10 percent while the number of items we furnished increased by 24 percent and researcher visits increased 3 percent. We continue to monitor carefully our research room processes and services to look for ways to improve performance with reduced staffing and minimize impact to our customers.

Our ability to respond in a timely manner to written requests within 10 working days was also affected by the resources realignment to process the records backlog. Performance dropped by 4 percent.

We make reproductions of archival documents for a fixed fee to the general public. We have historically completed more than 95 percent of these requests in less than 35 working days. This year, we changed the performance measure to less than 20 days. In addition, we expanded the services we provide. These changes affected our performance measurement this year.

Performance Data	**2003**	**2004**	**2005**	**2006**	**2007**
Performance target for written requests answered within 10 working days.	*85*	*90*	*95*	*95*	*90*
Percent of written requests answered within 10 working days.	94	95	96	97	93
Performance target for Freedom of Information Act requests for Federal records completed within 20 working days.	*85*	*85*	*90*	*90*	*85*
Percent of Freedom of Information Act requests for Federal records completed within 20 working days.	64	68	82	87	88
Number of FOIAs processed.	5,017	5,131	8,794	8,758	12,027
Annual cost to process FOIAs (in millions).	$1.35	$1.43	$1.74	$2.62	$2.72
Annual per FOIA cost.	$265	$272	$196	$295	$220
Performance target for items requested in our research rooms furnished within 1 hour of request or scheduled pull time.	*95*	*95*	*95*	*95*	*95*
Percent of items requested in our research rooms furnished within 1 hour of request or scheduled pull time.	96	98	98	96	86
Number of researcher visits to our research rooms (in thousands).	205	169	171	134	138
Number of items furnished in our research rooms (in thousands).	607	696	537	421	520
Number of items furnished on time in our research rooms (in thousands).	584	683	527	405	449
Performance target for archival fixed-fee reproduction orders through SOFA are completed in 20 (35 pre-2007) working days or less.	*60*	*75*	*80*	*85*	*85*
Percent of archival fixed-fee reproduction orders	99	99.9	98.9	96.7	72.4

Performance Data	2003	2004	2005	2006	2007
through SOFA are completed in 20 (35 pre-2007) working days or less.					
Average per order cost to operate fixed-fee ordering.	$26.34	$29.35	$27.31	$28.74	$26.67
Average order completion time (days)	14	9	12	14	17

FY 2008 Performance Plan Evaluation   We expect to meet or exceed our published standards for customer service. We will begin work on a survey tool to measure researcher satisfaction with their NARA experience.

4.2 ONLINE ACCESS TO ARCHIVAL HOLDINGS

FY 2007 Objectives	☐	Increase the number of queries in Access to Archival Databases (AAD) by 25 percent.
	☑	Develop digitization partnership principles and a digitization plan for making available archival holdings online.
	☑	Develop an inventory of existing digital copies of archival materials that could be made available online.
	☑	Increase the number of digital copies available online through the Archival Research Catalog (ARC) by 10 percent.
Results	✔	We increased the number of queries in Access to Archival Databases (AAD) by 13 percent.
	✔	We developed digitization partnership principles and a digitization plan for making available archival holdings online.
	✔	We developed an inventory of existing digital copies of archival materials that could be made available online.
	✔	We increased the number of digital copies available online through the Archival Research Catalog (ARC) by 10 percent.

Discussion   As we take the initial steps in creating a digitization program that would make the historical holdings from the National Archives more accessible through the Internet, we spent considerable time this year developing the guiding principles for an agency approach to partnerships and identifying what we want to achieve through digitization projects. We released for public comment a draft plan outlining our planned strategies. The document describes NARA's mission, our archival holdings, and our experiences with digitization, to give the context of the draft Plan for Digitizing Archival Materials for Public Access, 2007-2016. We also describe our planned goals, activities, and

priorities for digitization, as well as a list of current digitization activities being carried out by NARA and through partnerships to digitize and make available archival materials. An appendix contains operating principles that we are using as we enter into partnerships and references relevant NARA guidance that applies to handling of archival materials being digitized and the technical guidelines for image creation and description.

This year, we took some exciting new steps toward making more of our archival holdings available online. NARA entered into a partnership with Footnote, Inc., to digitize select holdings, beginning with materials currently on microfilm, making them available to the public on the Footnote web site and in NARA research rooms nation-wide. Through this non-exclusive agreement, NARA receives a set of digitized images of these holdings and their metadata, which we will be able to make available to the public in 5 years through the NARA web site in addition to our research rooms. These holdings will be described in our online catalog. We developed some guiding principles for our partnerships, which we made available for public comment, and have collected public comment on another proposed partnership. Overall, the public is supportive of our efforts to use partnerships to make more of our holdings available online.

We conducted an inventory of digital copies throughout NARA. This inventory will provide us with a comprehensive list of digital copies of records that may be of interest to the public. These images are among those that we used to meet our goal of increasing the images available in the Archival Research Catalog (ARC). We were able to meet our goal of increasing digital copies in ARC by 10 percent, adding not only images but also archival descriptions of the images that are vital to the research process.

We announced a non-exclusive agreement with CustomFlix Labs, part of Amazon.com, Inc., to make thousands of historic films from our holdings available for purchase on Amazon.com. We hold more than 200,000 motion picture titles that include documentaries, newsreels, instructional films, combat footage, research and development films, and many other formats that provide an unequalled visual history of the United States. NARA will receive digital reference and preservation copies and the agreement allows the public to both purchase copies of films on DVD through Amazon, or view and copy them free in our College Park, MD, research room.

We set a target to increase the number of queries in our Access to Archival Databases (AAD) system this year. We did not meet the target to increase queries, but the number of visits to AAD increased by an unexpected 176 percent. This good news stems from the new technical design of AAD. Previously, users had to go through the query engine to get results, which were synthesized into web pages on the fly. Now, we are pre-staging those result pages. This means that Google and other search engines can find those pages, index them, and send users to them directly. This greatly increases the visibility of the pages, as the visit numbers suggest. The number of queries through our own query engine is no longer a good measure of the extent to which our holdings are being accessed.

The number of records available in AAD decreased by 24 percent this year because we removed a group of records related to Grants, Insurance, Loans, Subsidies, and Other Economic Assistance Awarded by Federal Agencies that were identified as having some privacy issues.

Performance Data	2003	2004	2005	2006	2007
Percent increase in number of archival electronic holdings accessible online.	–	51	20	13	-24

Performance Data	2003	2004	2005	2006	2007
Percent of electronic holdings accessible online.	–	2.2	2.1	2.1	1.5
Number of electronic holdings accessible online (cumulative logical data records in millions).	47	71	86	97	74
Number of electronic holdings (cumulative logical data records in millions).	–	3,238	4,041	4,611	4,737
Performance target for percent increase in AAD queries.	–	–	–	–	*25*
Percent increase in AAD queries.	–	–	46	31	13
Number of AAD queries (in thousands of queries).	–	778	1,134	1,480	1,665
Number of AAD users (in thousands of visits)	489	551	567	1,986	5,496

FY 2008 Performance Plan Evaluation   We will develop the measurement methodology for the number of archival holdings accessible online, whether through NARA or partners. We will increase the number of digital copies available online through ARC. We will also collect and analyze agency business requirements for digital storage needs. We will launch a partnership with the Genealogical Society of Utah to digitize Civil War pension application case files.

4.3 ONLINE CATALOG

FY 2007 Objectives

☑   Describe 55 percent of NARA traditional holdings in the Archival Research Catalog.

☑   Describe 55 percent of NARA artifact holdings in the Archival Research Catalog.

☑   Describe 55 percent of NARA electronic holdings in the Archival Research Catalog.

Results

✓   We described 56 percent of NARA traditional holdings in the Archival Research Catalog.

The best thing about ARC is…"the online digitized documents that are available for downloading."

✓   We described 57 percent of NARA artifact holdings in the Archival Research Catalog.

✓   We described 99 percent of NARA electronic holdings in the Archival Research Catalog.

Discussion   We continued our agency-wide description work this year and our online catalog now contains descriptions of 56 percent of our traditional holdings at the series level. The cross-NARA effort this year more than doubled the amount of work accomplished when compared with last year. ARC now contains descriptions of more than 1.9 million cubic feet of traditional records (56 percent of our traditional holdings), more than 300,000 artifacts (57 percent of our artifacts), and 4.7 billion logical data records (99 percent of our electronic records).

In FY 2007, we added 19,573 series to ARC. Because most of our descriptions are at the series level and we measure our targets in cubic feet, as the size of the series we are describing becomes smaller, we have to work much harder to complete the same amount of cubic footage. In FY 2004, our average series size was 94 cubic feet. In FY 2007, it was 10 cubic feet. We met our goal by more than doubling our description efforts from last year.

Access is about making information about our holdings easier to find and goes beyond simply describing our holdings in ARC. We have undertaken a major effort to put data from existing finding aids into ARC. This is a remarkably efficient way to leverage previous work and to provide detailed, searchable information on the web, a huge value to our researchers. After adding nearly 365,000 file units this year, ARC now includes more than 1 million file units. In addition, we continue to create web pages that contain canned searches and reference materials about a variety of topics and collections. We worked with Google this year to index ARC sitemaps so that descriptions about our holdings would appear in Google searches and those of other search engines. We also are working collaboratively with our partners on digitizing projects, because the ARC metadata describing the digital images that the partners are creating will enable researchers to use the products from these projects.

Performance Data	2003	2004	2005	2006	2007
Performance target for traditional holdings in an online catalog	*25*	*30*	*40*	*50*	*55*
Percent of traditional holdings in an online catalog	20	33	43	51	56
Number of traditional holdings described in an online catalog (thousands of cubic feet)	602	1,033	1,366	1,671	1,886
Number of traditional holdings in NARA (thousands of cubic feet)	3,025	3,100	3,167	3,299	3,349
Performance target for artifact holdings in an online catalog	*25*	*30*	*40*	*50*	*55*
Percent of artifact holdings in an online catalog	17	40	43	57	57
Number of artifact holdings described in an online catalog (thousands of items).	90	215	233	309	309
Number of artifact holdings in NARA (thousands of items)	528	540	544	544	544
Performance target for electronic holdings in an online catalog	*0*	*5*	*10*	*20*	*55*
Percent of electronic holdings in an online catalog	0	17	63	98	99
Number of electronic holdings described in an online catalog (millions of logical data records)	–	535	2,539	4,517	4,692
Number of electronic holdings in NARA (millions of logical data records)	–	3,238	4,041	4,611	4,737
Number of ARC users (in thousands of visits*)	–	158	286	254	290

FY 2008 Performance Plan Evaluation We will launch our redesigned ARC web system, the public face of ARC. The redesign will provide an improved easier-to-navigate user interface based on customer feedback.

4.4 ONLINE SERVICES

FY 2007 Objectives ☑ Develop methodology for assessing NARA's score against the benchmark for excellence as defined for Federal Government web sites.

Results ✓ We developed a methodology for assessing NARA's score against the benchmark for excellence as defined for Federal Government web sites.

Discussion We continue to collect public feedback about our sites through our American Customer Satisfaction Index (ACSI) online surveys of our web sites and major application interfaces, such as our Archival Research Catalog (ARC) and Access to Archival Databases (AAD) systems. The results of these surveys continue to help guide enhancements to our public web site, archives.gov, making it more helpful to our customers. The Presidential Libraries consistently outperform the overall ACSI e-Government satisfaction score and other benchmarks. We plan to continue to respond to customer expectations by following this successful model and building upon the success of the collective Presidential Library web sites.

In accordance with the President's Management Agenda, which aims to expand electronic government, NARA has aggressively looked for opportunities to make more of our services, for both Federal agencies and the public, available electronically. To meet this challenge and the requirements of the Government Paperwork Elimination Act (GPEA), however, we must be able to support a wide variety of complex electronic transactions.

Our web sites assist the public in navigating our services from their homes; visiting virtually the National Archives, Presidential Libraries, Regional Archives, and the Charters of Freedom (the Declaration of Independence, Constitution, and Bill of Rights); and using resources available in our facilities nationwide. The sites also provide information about the varied and numerous public programs offered at all of NARA's locations, including those in the Regional Archives and the Presidential Libraries, as well as components of the National Archives Experience in Washington, DC, such as the William G. McGowan Theater and the Public Vaults permanent exhibit.

In FY 2007, we enhanced the educational aspect of our public web site, *archives.gov*, providing more engaging ways for our visitors to learn about the use of historical documents and the services we provide. The Presidential Libraries continued to digitize and post historical materials online, including the launch of a Presidential Timeline initiative, and a new site for the Richard Nixon Presidential Library, which launched July 11, 2007. Two major online exhibits were developed and launched—"Eyewitness" and "The Way We Worked"—based on the physical exhibits displayed at the National Archives Building.

Performance Data	2003	2004	2005	2006	2007
Online visits to NARA's web sites (in thousands).	—	—	21,859	31,897	34,871
Cost to provide NARA services online per visitor.	$0.16	$0.13	$0.17	$0.10	$.05
Performance target for web sites score at or above the benchmark for excellence as defined for Federal government web sites.	—	—	72.1	71.3	72.3
Web sites score at or above the benchmark for excellence as defined for Federal government web sites.	—	—	69*	69	TBD
Percent of NARA services available online.	30	40	52	52	52
Number of NARA services online.	36	48	62	62	62

*NARA won "Best Practices, Best Web Design in 2005," a peer award voted by Federal web managers throughout Government service.

FY 2008 Performance Plan Evaluation   NARA will evaluate the need for a redesign of the *archives.gov* home page. A new design of the Federal Records Center Program pages will be launched, as well as a redesign of our online "National Archives Experience" to offer a

new interactive feature using digitized images of many of the records from the Public Vaults exhibit. Several online exhibits are planned for launch, including a "Running for Office" exhibit about political cartoons.   In addition, we have begun work on assessing our current online capabilities to determine gaps and overlaps, and will begin development of a strategic concept of operations for web-based access to NARA's digitized and electronic records by the public. *Order Online!,* NARA's public application for ordering copies of selected records, will expand its capabilities to better support the quotation process and improve researcher ease of use by promoting online researcher self-service in determining what records NARA has and how to obtain copies. The key objective of the redesign is to allow researchers to locate and order products across format types while facilitating the pre-quoting process by capturing all relevant data related to the researcher request.

Strategic Goal 5: Civic Literacy

We will increase access to our records in ways that further civic literacy in America through our museum, public outreach, and education programs

Long-Range Performance Targets	5.1. By 2016, our museums score in the top 10 percent of all history museums nationally according to industry measures.
	5.2 By 2016, 95 percent of exhibit, public outreach, and education visitors are highly satisfied with their visit experience.

FY 2007 Resources Available to Meet This Goal: $41,855,000; 295 FTE

5.1 ACCESS THROUGH MUSEUMS

FY 2007 Objectives	☑ Survey industry measurement tools for an appropriate benchmark for NARA museums.
Results *"It was exciting to see such an important part of my country's history. It was worth coming all this way."*	✓ We identified an industry standard assessment tool for NARA museums.

Discussion: In the promotion of civic literacy, the National Archives has always played a unique and important role. As the keeper of the records of the Government, we have literally safeguarded the documentary record of American history. This record belongs to the American people. From the Charters of Freedom, to the census records that enumerate our country's population, to the records of Congress and Presidential Administrations, our holdings are so vast and diverse that the value and amount of information available is not always readily apparent to the public. Therefore, we continually educate the public about the treasure trove of information and services we offer. Museum programs are an inspiring way for people to understand their own personal connection to the records in the National Archives. Our efforts are intended to help families see how their own stories fit into our national mosaic, and to thrill young people with the real-life drama of the American experience.

Our museums offer a variety of public experiences throughout the United States. The National Archives Experience, launched in FY 2005 with the opening of the Public Vaults exhibit, the McGowan Theater, and O'Brien Traveling Exhibits Gallery, continues to grow in scope and impact. Presidential libraries and museums play a vital role in promoting an understanding of not only the Presidency, but also American history and democracy. From Hoover through Clinton, the museums offer thought-provoking and entertaining permanent exhibits that combine documents and artifacts, photographs and film to immerse visitors in the sights and sounds of the past.

This year, we evaluated an industry standard survey package for use in surveying visitors to our Washington, DC, museum exhibits. The Presidential Libraries have developed their own survey, which is under review with the Office of Management and Budget.

Performance Data	2004	2005	2006	2007
Number of visitors to NARA museums and exhibits (in millions)	2.4	2.9	2.9	3.1

FY 2008 Performance Plan Evaluation   We will implement an industry standard survey package for use in our Washington, DC, museum. We expect to implement a survey across the Presidential Library system once approved for use.

5.2 CUSTOMER SATISFACTION WITH OUR PROGRAMS

FY 2007 Objectives	☑	95 percent of NARA education programs, workshops, and training courses meet attendees' expectation.

Results   ✔   Our users rated 98 percent of NARA education programs, workshops, and training courses as meeting attendees' expectations.

"The American public benefits from your expert training, as the seminar participants return to their libraries and assist their customers in accessing the government information they need from the Federal Register."

Discussion: Studies indicate that visitor satisfaction correlates with learning. People who report having a satisfying experience also turn out to have learned more of the content of the program. We delivered a wide variety of experiences for visitors throughout the National Archives. These experiences were delivered through physical visits, online and offline publications, video conferences, web casts, and other venues. This year 98 percent of those surveyed felt that our programs, workshops, and training courses met their expectations.   Our programs continue to prove both educational and enjoyable thanks to our instructors and the wealth of material in the National Archives. We offered 150 rated programs this year, 129 rated training courses, and 327 rated records management training courses across NARA. Our response rate for attendee ratings was 86 percent this year.

Performance Data	2003	2004	2005	2006	2007
Performance target for percent of education programs, workshops, and training courses meeting attendees' expectations.	*95*	*95*	*95*	*95*	*95*
Percent of education programs, workshops, and training courses meeting attendees' expectations.	95	99	99	99	98
Number of rated education programs, workshops, and training courses.	440	464	547	605	606
Number of attendees at rated education programs, workshops, and training courses.	7,601	8,125	9,248	10,394	12,299

FY 2008 Performance Plan Evaluation   We will develop an education program survey and assess public comment on a museum visitor satisfaction survey.

Strategic Goal 6: Infrastructure

We will equipment NARA to meet the changing needs of our customers

Long-Range Performance Targets

6.1. By 2016, 95 percent of employees possess the core competencies that were identified for their jobs.

6.2. By 2016, the percentages of NARA employees in underrepresented groups match their respective availability levels in the Civilian Labor Force (CLF).

6.3. By 2016, public network applications are available 99 percent of the time.

FY 2007 Resources Available to Meet This Goal: $32,254,000; 165 FTE

6.1 RECRUITMENT AND DEVELOPMENT

FY 2007 Objectives

☑ Maintain 95 percent of staff development plans linked to strategic outcomes.

☑ Maintain 95 percent of employee performance plans linked to strategic outcomes.

☑ Design pilot for a management development program in another program office.

☑ Complete eOPF conversion project.

Results

✓ We maintained 96 percent of staff development plans linked to strategic outcomes.

✓ We maintained 97 percent of employee performance plans linked to strategic outcomes.

✓ We designed a pilot for a management development program for our Washington, DC, records services office.

✓ We completed the eOPF conversion project.

Discussion: We exceeded our goal this year, linking 96 percent of NARA employee performance plans directly to our new Strategic Plan. We also exceeded our target of linking staff development plans to the Strategic Plan, 97 percent of our staff creating development plans that will enable them to learn new competencies and broaden their knowledge base. These opportunities are carried out through research or study time, cross-training, short details to other offices, training courses, and other creative approaches that support Strategic Plan strategies and tactics.

One of the 24 e-Government initiatives designed to support the President's Management Agenda (PMA) is OPM's Enterprise Human Resources Integration (EHRI), which supports human resources management across the Federal Government at all levels, from front-line employee to senior management. When fully implemented, EHRI will replace the current Official Personnel Folder (OPF) with an electronic Official Personnel File (eOPF). The purpose of the eOPF is the same as the paper Official Personnel Folder: to document the employment history of individuals employed by the Federal Government. The eOPF provides the ability to capture and store images from paper-based records and to provide immediate online access and printed copies of any digital form. In FY 2006, we selected a vendor to convert NARA OPFs to eOPFs. This year all files were scanned and transmitted to the National Business Center where they are being uploaded for our use.

Performance Data	2003	2004	2005	2006	2007
Performance target for percent of permanent staff having staff development plans that link to strategic outcomes.	*95*	*95*	*95*	*95*	*95*
Percent of permanent staff having staff development plans that link to strategic outcomes.	91	52	78	76	96
Number of permanent staff having staff development plans that link to strategic outcomes.	2,435	1,400	2,071	1,944	2,379
Number of permanent staff.	2,681	2,703	2,664	2,607	2,485
Average time (in calendar days) to fill a leadership position	—	90	82	42	39
Performance target for percent of staff having performance plans that link to strategic outcomes	*95*	*95*	*95*	*95*	*95*
Percent of staff having performance plans that link to strategic outcomes.	95	93	94	95	97
Number of staff having performance plans that link to strategic outcomes.	2,614	2,560	2,560	2,562	2,496

FY 2008 Performance Plan Evaluation   We anticipate that we will meet our FY 2008 targets.

6.2 EQUAL EMPLOYMENT OPPORTUNITY

FY 2007 Objectives   ☐   Increase the percentage of people in underrepresented groups in pools of applicants from which to select candidates for positions in grades 13 and above over the percentage in FY 2006.

Results   ✔   We employed people in underrepresented groups so that our percentages matched in two out of six underrepresented groups.

Discussion: We recognize the need to have a workforce that reflects, to the best of our ability, the American workforce. To accomplish this, we build recruitment strategies based on how our microcosm compares to the nation's workforce. We provide equal opportunities in management through recruitment strategies to increase the number of applicant pools for positions in grades 13 and above that contain people in underrepresented groups. This year 76 percent of our applicant pools contained self-identified minorities, down from last year.

The reason for the drop this year was the fact that we were not hiring at the same rate as previous years. A hiring freeze in 2006 created a situation in which many of the jobs filled in 2007 were from applicants within NARA. NARA-only merit promotions dominated applicant pools for the first time since we have collected data. Because NARA is not as diverse as the Civilian Labor Force overall, this meant that our applicant pools were inherently less rich in underrepresented groups than in previous years when hiring from outside the agency was more frequent.

Our objective is to reflect the diversity of those industry workforce populations that do the same kind of work that we do. We fell short of the target for women by only employing 86 percent of the workforce diversity for women. We continue to exceed the industry standard for blacks at 301 percent, but we missed our targets this year for American Indian (57 percent), Asian (62 percent), and Hispanic (18 percent) groups. Our overall minority representation remained well above that in the industry, at 148 percent. In addition, we met our target for reflecting a workforce with targeted disabilities with such being self-reported by 1.6 percent of our workforce.

Performance Data	**2003**	**2004**	**2005**	**2006**	**2007**
Performance target for percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups.	*79*	*90*	*93*	*96*	*87*
Percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups.	91	92	95	87	76
Number of applicants for positions at grades GS-13 and above.	1,177	1,783	1,725	677	194
Number of applicant pools for positions at grades GS-13 and above.	85	143	153	86	37
Number of pools for positions in grades GS-13 and above that had self-identified applicants in protected classes.	77	132	145	75	28
Percent of Civilian Labor Force rate used to determine if underrepresented groups met employment target.	*65*	*70*	*80*	*90*	*100*
Underrepresented groups of employees meeting target (checkmark indicates target met or exceeded)					
—Women	✓	✓	✓		
—Black	✓	✓	✓	✓	✓
—Latino-Hispanic					
—Asian American/Pacific Islander	✓	✓			
—American Indian/Alaskan Native	✓	✓			
—Targeted disability	✓	✓	✓	✓	✓

FY 2008 Performance Plan Evaluation   Reviewing our processes for announcing vacancies and hiring will help us determine where we are falling short in meeting our targets for certain underrepresented groups.

6.3 INFORMATION TECHNOLOGY
FY 2007 Objectives   ☑ Public network applications are available 98.80 percent of the time.

Results   ✓   Public network applications are available 99.33
                                    percent of the time.

Discussion: A great deal of our success rides on the performance of our technological resources. In an increasing digital world, our ability to communicate with our customers, provide our nation with access to digital records and research tools, and open Internet doors to archival records, all depend on the reliability and security of our IT systems. The growth in customers using our public network applications, nearly doubling in two years, points to the importance of having reliable, secure applications available when the customer wants to use them.

To that end, over the past year we completed a major upgrade of NARANET, our computer network, upgrading our operating system and e-mail system and replacing network servers. In addition, we upgraded server racks and updated procedures for securing them at our College Park facility. We enforced procedures for securing racks at all NARA regional locations. We also finished a multi-year upgrade of our telecommunications system across the country.

Performance Data	2003	2004	2005	2006	2007
Percent of public network availability.	100	100	99.9	100	100
Performance target for percent availability of public applications.	–	*96.5*	*97*	*98.9*	*98.80*
Percent of public network applications availability.	–	98.7	98.9	98.9	99.3
Number of total hours that any public network application was unavailable.	–	1,047	923	830	504
Number of network users for public applications (in millions).	–	4.4	6.6	8.7	12.0
Cost per network user for public applications.	–	$0.29	$0.24	$0.27	$0.34
Percent of customer's highly satisfied with NARA helpdesk services (average for year).	–	–	–	–	65

FY 2008 Performance Plan Evaluation   We will continue to improve the physical security of our computer infrastructure. We will recompete our IT Support Services contract and investigate and test possible IT solutions for work-at-home to support Federal telework initiatives.

FY 2007 PROGRAM EVALUATIONS

Strategic Goal 1: Our Nation's Record Keeper

Office of Inspector General, OIG Report 07-04, *Audit of NARA's Hurricane Katrina Related Mission Assignments,* November 20, 2006.

> The Department of Homeland Security asked the NARA OIG to perform this audit to determine the efficiency and effectiveness of this mission assignment at NARA. The DHS OIG is reviewing mission assignments that the Federal Emergency Management Agency (FEMA) provided to other federal agencies and will use the information gathered to improve the mission assignment process. There were no recommendations associated with this audit memorandum.

Strategic Goal 2: Preserve and Process

Office of Inspector General, OIG Report 07-01, *Audit of Management Controls for Safeguarding NARA's Specially Protected Records and Artifacts Stored in Stacks, Vaults, and Safes,* October 12, 2006.

> The Inspector General audited several NARA program areas to determine whether controls are adequate to properly safeguard specially protected records and artifacts that are stored in stacks, vaults, and safes. Specifically, the audit assessed whether NARA is adequately identifying, controlling, and restricting access to specially protected items. There are five recommendations associated with this report; all five are closed.

Office of Administrative Services, *Physical Security and Life Safety Review*, March 2007.

> The office conducted a security and life safety inspection of the Jimmy Carter Library and Museum. There were three recommendations made in this report, two of which are still open as of September 30, 2007.

Office of Administrative Services, *Physical Security and Life Safety Review*, April 2007.

> The office conducted a security and life safety inspection of the National Archives at College Park. There were 29 recommendations made in this report, nine of which are still open as of September 30, 2007.

Office of Administrative Services, *Physical Security and Life Safety Review*, April 2007.

> The office conducted a security and life safety inspection of the Richard Nixon Library and Museum prior to certification and acceptance. There were 10 recommendations made in this report, all of which are still open as of September 30, 2007.

Office of Administrative Services, *Physical Security and Life Safety Review*, April 2007.

> The office conducted a security and life safety inspection of the National Archives Building. There were 14 recommendations made in this report, five of which are still open as of September 30, 2007.

Strategic Goal 3: Electronic Records

Government Accountability Office, GAO-07-987, *The National Archives and Records Administration's FY 2007 Expenditure Plan,* July 2007.

> GAO's objectives in reviewing the expenditure plan were to (1) determine the extent to which the expenditure plan satisfied the legislative conditions specified in the Appropriations Act; (2) determine the extent to which NARA has implemented GAO's prior recommendations; and (3) provide any other observations about the expenditure plan and the ERA acquisition. GAO reviewed the expenditure plan, analyzed it against the legislative conditions, and assessed NARA's progress in addressing prior recommendations. GAO made no recommendations in this report.

Strategic Goal 4: Access

There were no audits or evaluations specific to this strategic goal in FY 2007.

Strategic Goal 5: Civic Literacy

There were no audits or evaluations specific to this strategic goal in FY 2007.

Strategic Goal 6: Infrastructure

Office of Inspector General, OIG Report 07-02, *Review of Archives II Server Disk Space Utilization,* December 4, 2006.

> The Inspector General reviewed NARA servers to identify the amount of server disk space occupied by digital media computer files. Specifically, the OIG sought to determine if media files, i.e., music, video, audio files, etc., took up a significant amount of server disk space, and whether the storage of that type of computer file by NARANet users complied with NARA policy. There was one recommendation in this report; it is closed.

Office of Inspector General, OIG Report 07-03, *Suitability Determinations for Contract Employees,* November 28, 2006.

The Inspector General sought to determine the percentage of contractors hired at NARA with felony convictions and to examine NARA's process for determining contractor employment suitability. There was one recommendation in this report and it remains open as of September 30, 2007.

Office of Inspector General, OIG Report 07-08, *Audit of NARA's Energy Usage,* June 8, 2007.

The Inspector General sought to (1) determine whether NARA could take additional measures to reduce rising energy costs, (2) assess NARA's energy management efforts, and (3) evaluate whether NARA complies with Federal energy management requirements. There were four recommendations in this report, all of which remain open on September 30, 2007.

Office of Inspector General, OIG Report 07-10, *Review of Selected Security Aspects of NARA's Computer Network Environment,* July 2, 2007.

The Inspector General addressed issues that came to the OIG's attention during the review of the Novell NetWare/GroupWise software upgrade project. Specifically, these included: (1) unidentified devices connected to NARANet, (2) network printers not properly configured, (3) Novell servers with no audit trails, and (4) NIST and agency guidance not always followed when establishing new user accounts at Presidential libraries. There were four recommendations in this report; portions of three of these recommendations remain open on September 30, 2007.

Multi-Goal Evaluations

Office of Inspector General, OIG Report 07-05, *Clifton-Gunderson LLP (CG) Audit of the National Archives and Records Administration FY 2006 Financial Statements,* December 6, 2006.

The Inspector General contracted with Clifton Gunderson (CG) to conduct an independent review of NARA's financial statements as well as internal controls and operations. CG made 21 recommendations and issued an unqualified opinion. Details on the disposition of these recommendations are located in Section 4, Other Accompanying Information.

Office of Inspector General, OIG Report 07-07, *Evaluation of Management Control Program for FY 2006,* February 27, 2007.

The Inspector General reviewed NARA's FY 2006 Management Control Program. There were no recommendations made.

Office of Inspector General, OIG Report 07-06, *Audit of Textual Records Processing at NARA,* February 28, 2007.

The Inspector General audited the records processing function to determine if

NARA was making archival textual records available to the public in a timely manner. The OIG set out to determine if NARA was "providing ready access to essential evidence" as defined in the Strategic Plan in place when the audit was begun in April 2006. There were two recommendations made in this report, one of which remains open on September 30, 2007.

Office of Regional Records Services, *Program Review*, April 2007.

The office conducted a program evaluation of the three offices in the Northeast Region. There was one recommendation made in this report and it remains open on September 30, 2007.

Office of Regional Records Services, *Program Review*, July 2007.

The office conducted a program evaluation of the Rocky Mountain Regional Office. There were three recommendations made in this report, all of which remain open on September 30, 2007.

Office of Presidential Libraries, *Program Review*, May 2007.

The office conducted a program review of the Dwight D. Eisenhower Library. There were 12 recommendations made in this report, all of which are closed.

Office of Presidential Libraries, *Program Review*, July 2007.

The office conducted a program review of the George Bush Library. There were 10 recommendations made in this report, eight of which remain open on September 30, 2007.

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Federal Records Management Evaluations

Under 44 U.S.C. 2904(c)(8), the Archivist of the United States is required to report to Congress and OMB annually on the results of records management activities. NARA fulfills this requirement through the Performance and Accountability Report. Through this report, we also highlight the progress of individual agencies in managing and preserving the documentation necessary to protect the legal and financial rights of the Government and citizens.

Electronic Records Management

In FY 2007, we targeted 180 critical electronic records systems in 22 Federal agencies. The goal of the effort was to describe and appraise the records in these systems to ensure they were adequately maintained to meet agency business needs, protect the legal and financial rights of the Government and its citizens, and preserve those of permanent value. Through agency/NARA partnerships, we appraised 254 critical electronic records systems and scheduled 423 electronic records systems in 44 agencies, exceeding our target.

The following agencies scheduled electronic records in FY 2007:

Department of Agriculture
Department of Agriculture, Agricultural Marketing Service
Department of Agriculture, Food Safety and Inspection Service
Department of Agriculture, Forest Service
Department of Agriculture, Cooperative State Research, Education, & Extension Service
Department of Agriculture, Rural Housing Service
Department of Agriculture, Rural Utilities Service
Central Intelligence Agency
Department of Defense, Department of the Navy
Department of Defense, Department of the Air Force
Department of Defense, Department of the Army
Department of Defense, Joint Staff
Department of Defense, Office of the Secretary of Defense
Department of Energy
Department of Energy, Bonneville Power Administration
Department of Homeland Security, Federal Emergency Management Agency
Department of Homeland Security, Transportation Security Administration
Department of Homeland Security, US Coast Guard
Department of Health and Human Services, Centers for Medicare & Medicaid Services
Department of Health and Human Services, Food and Drug Administration
Department of Housing and Urban Development
Department of the Interior, US Geological Survey
Department of the Interior, Bureau of Indian Affairs
Department of the Interior
Department of the Interior, National Park Service
Department of the Interior, Minerals Management Service
Department of Justice
Department of Justice, Drug Enforcement Agency
Department of Justice, Federal Bureau of Investigation

Department of Labor, Bureau of Labor Statistics
Department of Labor, Employment and Training Administration
Department of State
Department of Transportation, Federal Motor Carrier Safety Administration
Department of Transportation, Federal Railroad Administration
Department of Transportation, National Highway Traffic Safety Administration
Department of Veterans Affairs, Office of General Counsel
Environmental Protection Agency
Equal Employment Opportunity Commission
Federal Energy Regulatory Commission
General Accounting Office
National Geospatial-Intelligence Agency
Securities and Exchange Commission
Small Business Administration
Social Security Administration

The following agencies transferred electronic records to the legal custody of the National Archives for permanent preservation:

Administrative Office of the US Courts
Department of Agriculture, Foreign Agriculture Service
Department of Agriculture, Forest Service
Department of Commerce, Bureau of the Census
Department of Commerce, Patent and Trademark Office
Commodity Futures Trading Commission
Department of Defense, Department of the Army
Department of Defense, Defense Threat Reduction Agency
Department of Defense, Department of the Navy, Bureau of Naval Personnel
Department of Defense, Office of the Secretary
Department of Education
Department of Energy
Department of Energy, Bonneville Power Administration
Environmental Protection Agency
Farm Credit Administration
Federal Communications Commission
Federal Reserve System
Department of Health and Human Services, Centers for Disease Control and Prevention
Department of Homeland Security, US Coast Guard
Department of Homeland Security, US Customs and Border Protection
Department of the Interior, Fish and Wildlife Service
Department of Justice
Department of Labor, Bureau of Labor Statistics
Department of Labor, Mine Safety and Health Administration
Merit Systems Protection Board
National Aeronautics and Space Administration
National Endowment for the Arts
National Science Foundation
Office of Personnel Management
Small Business Administration
Department of State
Department of Transportation

Department of Transportation, Federal Aviation Administration
Department of the Treasury
Department of the Treasury, Bureau of Public Debt
Temporary Committees, Commissions and Boards

Records Management Achievement

In FY 2007, NARA recognized the following agencies for their outstanding achievement in preserving and assuring timely maximum access to the American people of our Governmental records:

Defense Threat Reduction Agency (DTRA)

DTRA continued the revitalization of their records management program with the strong support of the Director. They increased the number of records management staff and focused their efforts on records management activities including training, online tools, and staff assistance visits.

Department of Homeland Security, U.S. Citizenship and Immigration Services (USCIS)

USCIS maintains more than 100 million paper alien record files, the "A-Files" and tracks their movement in a national file tracking system. The alien record (A-File) documents the history of an individual's or entity's interactions with the DHS that involve the administrative actions prescribed by the Immigration and Nationality Act or other regulations. Working with the various program offices, USCIS records management developed processes for imaging, indexing, validating, and preserving these records and have made significant progress in completing the project.

Department of the Navy

The US Navy Electronic Records Management System (ERMS) framework has been fielded extensively and is used by 30 Navy echelons in their business processes to support such things as FOIA, case management, policy, and standard operating procedure issuance, congressional correspondence, and security. The application is configured for each major organization and provides solutions for identification of records, capture, maintenance, and disposition. The ERMS is supported by training, monthly records management conference calls, a newsletter, and an annual records management conference.

Small Business Administration (SBA)

The transformation to e-Government processes at SBA has resulted in not only the development and use of new tools to conduct business, and the creation of records in new and varied formats, but also in the transformation of the way public business is carried out. SBA is aggressively pursuing solutions to the management challenges posed by creating, maintaining, and preserving their business information in an electronic format, accessible and usable throughout the records lifecycle.

US Government Accountability Office (GAO)

GAO has developed, implemented, and mandated the use of an enterprise-wide Electronic Records Management System (ERMS), building on a high level of inter-office

collaboration and senior management support. ERMS integrates with the agency's core mission electronic business process initiatives, including electronic-audit documentation, electronic indexing and referencing of electronic case files, electronic publication and dissemination of GAO products, and document digitization.

Performance Assessment Rating Tool Summary

Records Services Program

As part of the FY 2005 budget formulation, OMB evaluated NARA's records services program using the Program Assessment Rating Tool (PART). PART was established to provide a process for rating the performance of programs across the Federal Government. The chart below summarizes OMB's findings, NARA's responses, and the status of our progress in implementing the recommendations as well as FY 2007 results for PART measures.

OMB Recommendation	NARA's Response to OMB's Finding	Status of Progress
1. Develop targets for newly created unit-cost measures.	NARA developed a standard methodology for collecting unit cost measures in FY 2004. Data was collected for the first time for many new cost measures in FY 2004 and FY 2005. Targets will be set where appropriate after-measurement methodologies are established and tested.	NARA has retained most of its cost measures in its new Strategic Plan. We report these indicators throughout the Performance section of this report. Most are inappropriate for precise targets and are considered successful when trends decrease.
2. Produce audited financial statements.		Completed.

Selected PART Measures	Year	Target	Actual
Annual cost of archival storage space per cubic feet of traditional holdings	2007	$5.78	$6.20
By 2005, 95 percent of requests for military service separation records are answered within 10 working days	2007	95%	90%
By 2009, 100 percent of NARA's archival holdings are in appropriate space	2007	No annual target	80% traditional holdings, 100% electronic holdings, 42% artifact holdings
By 2009, 100 percent of NARA records centers comply with the October 2009 regulatory storage standards	2007	No annual target	29%

Electronic Records Services Program

As part of the FY 2006 budget formulation, OMB evaluated NARA's electronic records services program using the PART. The chart below summarizes OMB's findings, NARA's responses, and the status of our progress in implementing the recommendations, as well as FY 2007 results for PART measures.

OMB Recommendation	NARA's Response to OMB's Finding	Status of Progress
1. Work on resolving the basis for its material weakness in IT security.	We plan to complete all actions to resolve this material weakness during FY 2005.	This material weakness was resolved during FY 2005.
2. Implement and utilize earned value management for acquisition of the Electronic Records Archives.	We plan to fully implement earned value management for ERA in FY 2004.	EVM is used in day-to-day management of the ERA program. The development contractor also is held to EVM standards and reports to NARA on a monthly basis.
3. Refine its records management policies and strategies and engage with Federal agencies to continue methods of improving records management across the Federal Government.	We plan to continue implementing the strategies identified in Strategic Directions for Federal Records Management to guide, advocate, and lead the improvement of records management methods across the Federal Government.	These initiatives are now integrated with our business practices and are no longer statused separately.

Selected PART Measures	Year	Target	Actual
Percentage of archival electronic records accessioned by NARA at the scheduled time.	2007	N/A	Unable to accurately measure until ERA implementation.
The per megabyte cost of managing archival electronic records through the Electronic Records Archives will decrease each year	2007	Target pending development of ERA	N/A
Milestone measures for development of the Electronic Records Archives in 2007 included completing Interim Operating Capability for Increment 1.	2007	Annual measures	Problems have led to a delay in delivery of this system for use in NARA operations from September 2007 to June 2008. NARA and the system contractor are working collaboratively on a comprehensive effort to correct or eliminate the conditions that created the problems and to mitigate against additional delays as the program progresses. Oversight by OMB and GAO continues.

Definitions

The following provides definitions for many of the terms and concepts used in this Performance section.

Goal 1	Our Nation's Record Keeper
Capital Asset Planning	An element in the decision-making process for ensuring that IT investments integrate strategic planning, budgeting, procurement, and the management of IT in support of agency missions and business needs.
COOP viability	NARA Headquarters and Federal Register must perform essential functions with and without warning regardless of emergency circumstances within 12 hours of activation of COOP for up to 30 days to include reconstitution of normal operations. Viability also includes regular testing, training, exercising of NARA personnel, equipment, systems, processes, and procedures used to support NARA during a COOP event.
Cooperative records project	A project that results in a model schedule, a standardized process, or other common product that standardizes records management for a specific FEA Business Reference Model sub-function across multiple agencies performing that sub-function. For example, agencies engaged in providing investigative services would be considered as one cooperative records project.
Federal agency reference request	A request by a Federal agency to a records center requesting the retrieval of agency records. Excludes personnel information requests at the National Personnel Records Center.
Inventory	A listing of the volume, scope, and complexity of an organization's records.
Proof of concept	Demonstration of new technology to show that an idea works.
Records management service (RMS)	An application or system software providing services that support the creation, management, transfer, and destruction of electronic records within a computing environment.
Risk Mitigation	Determining the value of information as a business asset in terms of its primary and secondary uses in the business process; identifying potential risks to the availability and usefulness of the information; estimating the likelihood of such risks occurring; evaluating the consequences if the risk occurs; and managing the information based on that analysis.

Goal 2	Preserve and Process
Accession	Archival materials transferred to the legal custody of NARA.
Appropriate space	Storage areas that meet physical and environmental standards for the type of materials stored there.
At-risk	Records that have a media base near or at the point of deterioration to such an extent that the image or information in the physical media of the record is being or soon will be lost, or records that are stored on media

accessible only through obsolete or near-obsolete technology.

Declassification review	An evaluation of the declassification aspects of an executive branch agency's security classification program to determine whether an agency has met the requirements of Executive Order 12958. The review may include the appropriateness of agency declassification actions, the quality of agency actions to identify classified equities of other agencies, and the appropriateness of agency action to exempt records from automatic declassification based upon application of declassification guidance approved by the Interagency Declassification Appeals Panel or the application of file series exemptions approved by the President. The results of a review, along with any appropriate recommendations for improvement, are reported to the agency senior official or agency head.
Equity-holding agency	An agency that may have classified information in a document, whether or not it created the document. Without declassification guidelines, only the equity-holding agency can declassify information in the document.

Goal 3	Electronic Records
Gigabyte	A measure of computer data storage capacity. A gigabyte is 2 to the 30th power, or approximately a thousand megabytes.
Logical data record	A set of data processed as a unit by a computer system or application independently of its physical environment. Examples: a word processing document; a spreadsheet; an email message; each row in each table of a relational database or each row in an independent logical file database.
Megabyte	A measure of computer data storage capacity. A megabyte is 2 to the 20th power, or approximately a million bytes.
Preserved	(1) The physical file containing one or more logical data records has been identified and its location, format, and internal structure(s) specified; (2) logical data records within the file are physically readable and retrievable; (3) the media, the physical files written on them, and the logical data records they contain are managed to ensure continuing accessibility; and (4) an audit trail is maintained to document record integrity.
Terabyte	A measure of computer data storage capacity. A terabyte is 2 to the 40th power, or approximately a thousand gigabytes.

Goal 4	Access
Artifact holdings	Object whose archival value lies in the thing itself rather than in any information recorded upon it.
Electronic holdings	Records on electronic storage media.
Logical data record	A set of data processed as a unit by a computer system or application independently of its physical environment. Examples: a word processing document; a spreadsheet; an email message; each row in each table of a relational database or each row in an independent logical file database.
Online visit	One person using our web site is counted as one "visit." It is a count of the number of visitors to our web site, and is similar to counting the number of people who walk through our front door. In contrast, it does not count "hits," which refers to the number of files used to show the

user a web page. A visit in which a user accessed a web page comprising 35 files would count as 1 visit and 35 hits. Counting visits is a more accurate way of showing how much use our web site is getting than counting hits.

Traditional holdings	Books, papers, maps, photographs, motion pictures, sound and video recordings, and other documentary material that are not stored on electronic media.
Written requests	Requests for services that arrive in the form of letters, faxes, email messages, and telephone calls that have been transcribed. Excludes Freedom of Information Act requests, personnel information requests at the National Personnel Records Center, Federal agency requests for information, fulfillment of requests for copies of records, requests for museum shop products, subpoenas, and special access requests.

Goal 6	**Infrastructure**
Applicant	Any U.S. citizen who completed an application for a specific position.
Leadership position	A supervisory position at grade GS-13 or above and non-supervisory positions at grade 15 or above.
NARANET	A collection of local area networks installed in 37 NARA facilities that are connected to a wide area network at Archives II, using frame relay telecommunications, and then to the Internet. NARANET includes personal computers with a standardized suite of software. NARANET was designed to be modular and scalable using standard hardware and software components.
Staff development plan	An individualized plan to enhance employees' knowledge, skills, and abilities and improve performance in their current jobs or of duties outside their current jobs, in response to organizational needs and human resource plans.
Underrepresented groups	Groups of people tracked by the U.S. Equal Employment Opportunity Commission: Minority groups (Black, Latino-Hispanic, Asian/Pacific Islander, and American Indian/Alaskan Native); Women; People with Disabilities.

S ECTION 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 2007.

For the second year in a row, NARA has achieved an unqualified audit opinion on its consolidated CFO Act financial statements. We are pleased that the auditor's report presents both our progress and our remaining challenges.

In FY 2007, NARA continued to make significant improvements in financial management, establishing and refining the processes and associated internal controls after conversion in FY 2006 to a new financial services provider. With that accomplished, NARA will continue its efforts 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 maintaining the unqualified opinion on our financial statements. We extend our appreciation to our financial services provider for their continued efforts and cooperation.

In closing, while challenges remain, I believe, NARA has consistently demonstrated its commitment to improving financial management and its ability to produce accurate and reliable financial statements.

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

Auditor's Reports (FY 2007)

Inspector General's Summary

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
ANNUAL FINANCIAL STATEMENT
FISCAL YEAR 2007

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, 2007 and 2006.
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;
applicable provisions of the OMB Bulletin No. 07-04, *Audit Requirements for Federal
Financial Statements,* and the GAO/PCIE *Financial Audit Manual.*

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,
2007 and 2006, and its net cost, changes in net position, budgetary resources for the years
then ended in conformity with accounting principles generally accepted in the United States
of America.

CG reported one significant deficiency[1] in internal control over financial reporting in the area
of Information Technology. CG reported no material weaknesses[2] and 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, opinions on NARA's financial statements or conclusions
about the effectiveness of internal control; or conclusions on compliance with laws and
regulations. CG is responsible for the attached auditor's report dated November 13, 2007
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.

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[1] Significant deficiency is defined as a deficiency in internal control, or combination of deficiencies, that
adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in
accordance with generally accepted accounting principles such that there is more than a remote likelihood that a
misstatement of the entity's financial statements that is more than inconsequential will not be prevented or
detected.
[2] Material weakness is defined as a significant deficiency, or combination of significant deficiencies, that results
in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or
detected.

Independent Auditor's Report (FY 2007)

Clifton Gunderson LLP

Certified Public Accountants & Consultants

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, 2007 and 2006, and the related statements of net cost, changes in net position, 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.

We conducted our audits 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 applicable provisions of the Office of Management and Budget (OMB) Bulletin No. 07-04, *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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NARA as of September 30, 2007 and 2006, and its net cost, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 13, 2007 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.

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Offices in 17 states and Washington, DC

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The information in the Management Discussion and Analysis, and Required Supplementary Information sections is not a required part of the consolidated financial statements, but is supplementary information required by U.S. generally accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in the Message from The Archivist, Performance Section, and Other Accompanying Information is presented for purposes of additional analysis and is not required as part of the consolidated financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Clifton Gunderson LLP

Calverton, Maryland
November 13, 2007

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Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2007, and have issued our report thereon dated November 13, 2007. 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 applicable provisions of the Office of Management and Budget (OMB) Bulletin 07-04, *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, non-compliance 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 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to NARA. 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.

The results of our tests of compliance with laws and regulations described in the preceding paragraph disclosed no instances of reportable noncompliance or other matters that are required to be reported under U.S. generally accepted government auditing standards or OMB guidance.

This report is intended solely for the information and use of the management of NARA, NARA Office of Inspector General, GAO, 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 13, 2007

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Clifton
Gunderson LLP
Certified Public Accountants & Consultants

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, 2007 and have issued our report thereon dated November 13, 2007. 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 applicable provisions of the Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements.*

In planning and performing our audit, we considered NARA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and to comply with OMB Bulletin No. 07-04, but not for the purpose of expressing an opinion on the effectiveness of NARA'S internal control over financial reporting. 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. Accordingly, we do not express an opinion on the effectiveness of NARA's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider collectively to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the

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entity's internal control. We consider the deficiencies described below to be collectively a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the second paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described below is a material weakness over financial reporting.

Finally, with respect to internal control related to performance measures reported in the NARA's Performance and Accountability Report as of September 30, 2007, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 07-04. 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.

****

SIGNIFICANT DEFICIENCY

I. Information Technology

    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 misuse, 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 has 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 and abuse.

        Our testing also indicated that logical access controls are not effective to ensure that only authorized users have access to systems. To illustrate:

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Logical Access Controls

- NARA contractor personnel are not required to be processed through an exit clearance process upon separation from NARA to ensure system access is removed. **(Repeat Condition)**

- Records Center Program and Billing System (RCPBS) system access is not being removed in a timely manner. We reviewed the current RCPBS user listing, sampled and tested 45 users, and identified two individuals (with access at the "manager" user group level), who separated employment from NARA more than one year ago. Users with the access level of "Manager" have the right to approve billable transactions entered by users. **(New Condition)**

- 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. Implement a contractor exit clearance process that requires formal sign offs by functional managers and Contracting Officer Technical Representatives (COTRs) to ensure logical and physical access is disabled and NARA property returned.

2. Immediately remove/disable RCPBS system access for the two individuals.

3. 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 confidentiality, integrity, and availability 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. [GAO, 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

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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 National Institute of Science and Technology (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:

- The certification and accreditation process for the RCPBS application was flawed as the security plan, a critical component of the C&A process, was incomplete and in draft. **(New Condition)**

- Employee exit clearance forms were not available for five individuals who separated from NARA during fiscal year (FY) 2007. **(Repeat Condition)**

- Employee background investigations were not initiated or performed on 12 individuals in accordance with OMB and NARA policies. **(Repeat Condition)**

Recommendations:

4. Finalize the RCPBS Security plan, with affirmative evidence of management approval, date and version.

5. Complete incomplete sections in the RCPBS Security Plan, including components as indicated in the NIST 800-18 *"Guide for Developing Security Plans for Federal Information Systems"* standard with sections for all NIST 800-53 *"Guide for Assessing Security Controls in Federal Information Systems".*

6. Perform an internal review to ensure that all security accreditation packages for all major applications and general support systems are supported by a clearly approved, finalized and complete System Security Plan and other documents as required by NIST 800-37 *"Guide for the Security Certification and Accreditation of Federal Informartion Systems".*

7. Complete exit clearance forms (Form 3009) for all separating employees which include formal sign offs by functional managers and maintain these documents in accordance with NARA document retention policies.

8. Complete background investigations for the 12 NARA employees identified.

9. Ensure out-of-date background investigations for all employees and contractors are re-performed.

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10. 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. Configuration Management

Establishing controls over NARA's 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.

Formalized emergency change control or testing documentation procedures were not available for the RCPBS application.

Recommendation:

11. Strengthen RCPBS change control policies and procedures to include emergency change control and testing documentation procedures.

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 Federal Preparedness Circular No. 65, Presidential Decision Directive 67 "Enduring Constitutional Government and Continuity of Operations", and 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:

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- 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 includes discontinued systems such as Pegasus and Financial Management Information System (FMIS). (Repeat Condition)

- The RCPBS Disaster Recovery Plan (DRP): 1) does not accurately reflect its current operating environment as references to discontinued systems and interfaces are indicated, 2) does not describe the frequency or content of DRP testing, and 3) no testing of DRP restoration/recovery procedures (other than data files) occurred during FY2007. (New Condition)

Recommendations:

12. 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.

13. Develop and document an RCPBS DRP testing schedule. Test the DRP annually to identify planning gaps, ensure recovery assumptions are valid, and prepare recovery personnel for plan activation. Develop test objectives, success criteria, and document lessons learned and incorporate as needed into the plan, and train necessary personnel. In accordance with NIST 800-34 "Contingency Planning Guide for Information Systems" recovery tests should address the following areas:

- System recovery on an alternate platform from backup media

- Coordination among recovery teams

- Internal and external connectivity

- System performance using alternate equipment

- Restoration of normal operations

- Notification procedures

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STATUS OF PRIOR YEAR COMMENTS

We have reviewed the status of NARA's corrective actions with respect to the material weakness and reportable conditions from previous year's report on internal control. Details of the status of the recommendations are reported in Appendix A to this report.

****

NARA management's response to the significant deficiency identified in our report is included in this report. We did not audit NARA's response and, accordingly, we express no opinion on it.

In addition to the significant deficiencies 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 13, 2007.

This report is intended solely for the information and use of the management of NARA, NARA Office of Inspector General, OMB, the Government Accountability Office 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 13, 2007

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APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2007

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
		Material Weakness	
1	Inactive network accounts are not being disabled in a timely manner.	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.	Closed
2	NARA does not recertify VPN access on a quarterly basis and documentation to support user access is not readily available.	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).	Closed
3	Inactive network accounts are not being disabled in a timely manner.	User IDs (other than system ID) not associated with an individual or not designated for testing purposes should be deleted.	Closed
4	Contractor out-processing procedures could be improved.	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.	Open
5	Access to the Archives II computer room could be more tightly controlled.	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.	Closed
6	The RCPBS Password lockout Policy has not been turned on.	Enable account lockouts for the RCPBS application in accordance with NARA IT policies.	Open

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APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2007

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
	Material Weakness		
7	Employee clearance record forms are not being maintained for separated employees.	Maintain employee clearance records (Form 3009) for every separating employee.	Open
8	Employee clearance record forms are not being maintained for separated employees.	Require supervisors of departing employees to ensure the Form 3009 is completed no later than an employee's last day of work.	Closed
9	The NARANet Risk Assessment has not been updated to reflect major changes to its operating environment since it was last updated in 2003.	Perform a risk assessment of the NARANet environment to identify risks posed by the upgrade on the NARANet system environment and controls.	Closed
10	The NARANet Security Plan has not been updated to reflect major changes to operating environment since it was last updated in 2003.	Update the NARANet System Security plan to reflect the current status of the system.	Closed
11	The NARANet Risk Assessment has not been updated to reflect major changes to its operating environment since it was last updated in 2003.	Develop a Plan of Actions and Milestones to address the risks identified within the updated NARANet risk assessment.	Closed
12	NARA management has not performed a recent certification and accreditation (C&A) of the NARANet general support.	Officially re-authorize the NARANet general support system to continue processing.	Closed

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APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2007

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
		Material Weakness	
13	Employee background investigations are not being conducted in accordance with OMB guidance and NARA policies.	Background investigations should be immediately conducted on the four noted individuals.	Closed
14	Employee background investigations are not being conducted in accordance with OMB guidance and NARA policies	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.	Open
15	NARA does not have formalized policies and procedures for identifying, selecting, installing and modifying system software on NARANet.	Document and implement patch management procedures for all Novell systems.	Closed
16	Controls over the management of NARA's firewalls could be strengthened.	Implement the milestones and target dates identified in the Plan of Actions and Milestones (POA&M) to address the four open firewall weaknesses identified.	Closed
17	NARA's disaster recovery plan needs updated.	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.	Open

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APPENDIX A
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
September 30, 2007

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
	Material Weakness		
18	NARA's disaster recovery plan needs updated.	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).	Closed
	Reportable Conditions		
19	Not all open obligations on open items lists sent to office heads showed evidence review.	Consistently implement NARA Interim Guidance 400-6.	Closed
20	Supervisory time and attendance certification reports 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.	Closed
21	Time and Attendance logs did not consistently include the proper validating signatures.	Enforce the policy of signing and dating the Supervisory Time and Attendance Certification Report.	Open – Reported in Management Letter in FY 2007

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Management Response to Auditor's Report (FY 2007)

National Archives and Records Administration

700 Pennsylvania Avenue, NW
Washington, DC 20408-0001

Date: November 9, 2007

To: Paul Brachfeld, NARA Inspector General

From: Allen Weinstein, Archivist of the United States

Subject: Response to Draft Independent Auditor's Reports on NARA's Internal Controls and
          Compliance with Laws and Regulations for FY 2007

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 this audit process.

We generally agree with the auditors' assessment of a significant deficiency in information
technology. However, we want to reassure our stakeholders that the risks described are
adequately mitigated with compensating controls to prevent a material misstatement of NARA
financial statements. At the same time, management will continue to prioritize its efforts,
within existing budget constraints, to correct the identified problems in the processes and
systems in the most cost-effective manner.

While we continue to face challenges, we strongly believe that NARA has again demonstrated
our commitment to improved financial management and our 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 2007)

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 2007 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, 2007 and September 30, 2006
(in thousands)

	2007	2006
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	$ 176,004	174,683
Investments (Note 3)	8,342	7,631
Accounts receivable (Note 4)	9,789	12,486
Total intragovernmental	194,135	194,800
Cash	51	49
Investments (Note 3)	21,972	20,869
Accounts receivable, net (Note 4)	554	653
Inventory, net (Note 5)	1,027	1,110
General property, plant and equipment, net (Note 6)	377,871	339,746
Other Assets	925	977
Total assets	**$ 596,535**	**$ 558,204**
Stewardship PP&E (Note 7)		
Liabilities		
Intragovernmental		
Accounts payable	$ 3,296	$ 2,657
Other (Note 8, 9, 10)	5,237	5,917
Total intragovernmental	8,533	8,574
Accounts payable	32,542	32,949
Debt held by the public (Note 8, 9)	216,841	226,938
Other (Note 8, 10)	29,665	30,333
Total liabilities	**287,581**	**298,794**
Commitments and Contingencies (Note 12)		
Net Position		
Unexpended appropriations - other funds	108,649	108,887
Cumulative results of operations - earmarked funds (Note 13)	30,952	29,174
Cumulative results of operations - other funds	169,353	121,349
Total net position	$ 308,954	$ 259,410
Total liabilities and net position	**$ 596,535**	**$ 558,204**

The accompanying notes are an integral part of these statements

Consolidated Statement of Net Cost
For the years ended September 30, 2007 and 2006

(in thousands)

	2007	2006
Program Costs		
Records and archives-related services		
Gross costs (Note 14)	$ 282,894	$ 285,250
Less: Earned revenues	(545)	(1,244)
Total net records and archives-related services program costs	282,349	284,006
Trust and Gift Funds		
Gross costs (excluding heritage asset renovation)	14,997	13,497
Heritage asset renovation costs (Note 15)	1,200	634
Less: Earned revenues	(18,094)	(16,923)
Total net trust and gift fund costs	(1,897)	(2,792)
Electronic records archives		
Gross costs	7,091	6,411
Less: Earned revenues	-	-
Total net electronic records archives program costs	7,091	6,411
National historical publications and records commission grants		
Gross costs	5,681	7,014
Less: Earned revenues	-	-
Total net national historical publications and records commission grants program costs	5,681	7,014
Archives facilities and presidential libraries repairs and restoration		
Gross costs (excluding heritage asset renovation)	888	544
Heritage asset renovation costs (Note 15)	3,667	11,942
Less: Earned revenues	-	-
Total net archives facilities and presidential libraries repairs and restoration program costs	4,555	12,486
Revolving fund records center storage and services		
Gross costs	144,836	143,350
Less: Earned revenues	(136,015)	(135,561)
Total net revolving fund records center storage and services program costs	8,821	7,789
Net Cost of Operations	$ 306,600	$ 314,914

The accompanying notes are an integral part of these statements

Consolidated Statement of Changes in Net Position
For the year ended September 30, 2007
(in thousands)

Cumulative Results of Operations	2007 Earmarked Funds	All Other Funds	Consolidated Total
Beginning Balance	$ 29,174	$ 121,349	$ 150,523
Budgetary Financing Sources			
Appropriations Used	-	335,779	335,779
Nonexchange Revenue	821	-	821
Donations and forfeitures of cash and cash equivalents	1,724	-	1,724
Other	398	-	398
Other Financing Sources (Non-Exchange)			
Imputed financing	522	17,381	17,903
Other	(243)	-	(243)
Total Financing Sources	3,222	353,160	356,382
Net Cost of Operations	1,444	305,156	306,600
Net Changes	1,778	48,004	49,782
Cumulative Results of Operations	**30,952**	**169,353**	**200,305**
Unexpended Appropriations			
Beginning Balance	-	108,887	108,887
Budgetary Financing Sources			
Appropriations received	-	341,137	341,137
Other adjustments	-	(5,596)	(5,596)
Appropriations used	-	(335,779)	(335,779)
Total Budgetary Financing Sources	-	(238)	(238)
Total Unexpended Appropriations	-	108,649	108,649
Net Position	**$ 30,952**	**$ 278,002**	**$ 308,954**

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

The accompanying notes are an integral part of these statements

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

	2006		
Cumulative Results of Operations	**Earmarked Funds**	**All Other Funds**	**Consolidated Total**
Beginning Balance	$ 28,743	$ 78,873	$ 107,616
Budgetary Financing Sources			
Appropriations Used	-	338,887	338,887
Nonexchange Revenue	746	-	746
Donations and forfeitures of cash and cash equivalents	405	-	405
Other	(7)	-	(7)
Other Financing Sources (Non-Exchange)			
Imputed financing	466	17,497	17,963
Other	(173)	-	(173)
Total Financing Sources	1,437	356,384	357,821
Net Cost of Operations	1,006	313,908	314,914
Net Changes	431	42,476	42,907
Cumulative Results of Operations	**29,174**	**121,349**	**150,523**
Unexpended Appropriations			
Beginning Balance	-	117,554	117,554
Budgetary Financing Sources			
Appropriations received	-	338,141	338,141
Other adjustments	-	(7,921)	(7,921)
Appropriations used	-	(338,887)	(338,887)
Total Budgetary Financing Sources	-	(8,667)	(8,667)
Total Unexpended Appropriations	-	108,887	108,887
Net Position	**$ 29,174**	**$ 230,236**	**$ 259,410**

The elimination column is omitted as no elimination activity impacts this statement.

The accompanying notes are an integral part of these statements

Combined Statement of Budgetary Resources
For the years ended September 30, 2007 and 2006
(in thousands)

	2007	2006
Budgetary Resources		
Unobligated balance brought forward, October 1:	$64,518	$74,714
Recoveries of prior year unpaid obligations	10,251	7,590
Budget Authority		
Appropriation	356,893	339,906
Spending authority from offsetting collections		
Earned		
Collected	173,921	166,952
Change in receivables from Federal sources	(2,731)	2,733
Change in unfilled customer orders		
Advance received	(181)	526
Without advance from Federal sources	(11)	8,557
Subtotal	527,891	518,674
Permanently not available	15,622	17,145
Total budgetary resources	**587,038**	**583,833**
Status of Budgetary Resources		
Obligations Incurred		
Direct	363,392	346,146
Reimbursable	159,833	173,169
Subtotal	523,225	519,315
Unobligated Balance		
Apportioned	45,773	47,098
Exempt from apportionment	4,993	3,342
Subtotal	50,766	50,440
Unobligated balance not available	13,047	14,078
Total status of budgetary resources	**587,038**	**583,833**
Change in Obligated Balance		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	139,068	117,240
Less: Uncollected customer payments from Federal sources, brought forward October 1	(21,224)	(9,935)
Total unpaid obligated balance, net	117,844	107,305
Obligations incurred net	523,225	519,315
Less: Gross outlays	(512,979)	(489,897)
Less: Recoveries of prior year unpaid obligations, actual	(10,251)	(7,590)
Change in uncollected customer payments from Federal sources	2,742	(11,289)
Obligated balance, net, end of period		
Unpaid obligations	139,064	139,068
Less: Uncollected customer payments from Federal sources	(18,483)	(21,224)
Total, unpaid obligated balance, net, end of period	120,581	117,844
Net Outlays		
Gross outlays	512,979	489,897
Less: Offsetting collections	(173,740)	(167,479)
Less: Distributed offsetting receipts	(13,913)	(99)
Net Outlays	**$325,326**	**$322,319**

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 records keeper. NARA safeguards records of all three branches of the Federal Government. NARA's mission is to ensure continuing access to the essential documentation of the rights of American citizens and the actions of their government, and to facilitate historical understanding of our 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 access to the essential documentation. NARA's accompanying financial statements include accounts of all funds under NARA's control.

General Funds

- Operating Expenses

  o 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.

  o 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.

  o 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 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. 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.

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 Accounting and Presentation

These statements have been prepared from the accounting records of NARA in conformity with accounting principles (GAAP) generally accepted in the United States, and the requirements of the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. 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.

Transactions are recorded on both an accrual and budgetary basis of accounting. Under the accrual basis, 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.

C. Funds with the U.S. Treasury and Cash

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.

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.

D. Accounts Receivable

Majority of accounts receivable consist of amounts due from Federal agencies, which are expected to be collected, and therefore are not considered for allowance for uncollectible accounts. For amounts due from the public NARA changed its policy in FY 2007 to directly write off uncollectible receivables. In FY 2006, amounts due from the public are presented net of an allowance for uncollectible accounts. The allowance is based on an analysis of the outstanding balances.

E. Investments in Securities

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

NARA also employs the services 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.

F. 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.

G. Property, Plant and Equipment

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).

H. 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 5 years.

I. Federal Employee Benefits

Employee Health and Life Insurance Benefits

All permanent NARA employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLIP) and may continue to participate after retirement. Both of these programs require contributions from the employee based on the coverage options selected by the employee. NARA makes contributions for the required employer share through the Office of Personnel Management (OPM) to FEHBP and FEGLIP, which are recognized as operating expenses.

The Office of Personnel Management (OPM) administers and reports the liabilities for the post-retirement portion of these benefits. These costs are financed by OPM and imputed to all Federal agencies, including NARA. Using the cost factors supplied by OPM, NARA recognizes an expense for the future cost of postretirement health benefits and life insurance for its employees as imputed cost on the Statement of Net Costs and imputed financing sources on the Statement of Changes in Net Position.

Employee Retirement Benefits

All permanent NARA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). NARA makes the required employer contributions to CSRS and FERS and matches certain employee contributions to the thrift savings component of FERS. All of these payments are recognized as operating expenses. The pension expense recognized in the financial statements equals the current service cost for NARA's employees for the accounting period less the amount contributed by the employees. OPM, the administrator of these plans, supplies NARA with factors to apply in the calculation of

the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense over the amount contributed by NARA and its employees represents the amount being financed directly by OPM and is considered imputed financing to NARA; appearing as an imputed cost on the Statement of Net Cost and an imputed financing source on the Statement of Changes in Net Position.

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 computes its actuarial FECA liability based on the model provided by DOL and presents it as a liability to the public because neither the costs nor reimbursements have been recognized by DOL (see Notes 8 and 10).

J. 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. This liability is not covered by budgetary resources, as detailed in Note 8. Funding occurs in the year the leave is taken and payment is made for the appropriated funds. The trust and revolving funds beginning in FY 2006, are fully funding the annual leave earned but not taken, and are including it in the total liabilities covered by budgetary resources.

Sick leave and other types of non-vested leave are expensed as taken. (See Notes 8 and 10).

K. 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.

L. 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.

M. Allocation of Program Management Cost

NARA comprises 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 14). 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.

N. Earmarked Funds

NARA implemented the Statement of Federal Financial Accounting Standards (SFFAS) Number 27, *Identifying and Reporting Earmarked Funds,* in FY 2006. SFFAS 27 requires separate identification of the earmarked funds on the Balance Sheet, Statement of Changes in Net Position, and further disclosures in a footnote (see Note 13). Earmarked funds are defined when the following three criteria are met: (1) a statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits, or purposes; (2) explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and (3) a requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.

Note 2 – Fund Balance with Treasury

Fund balances (in thousands)	2007	2006
Appropriated funds	$ 142,654	$ 144,881
Revolving fund	32,629	29,306
Trust fund	516	292
Gift fund	101	14
Other funds	104	190
Total	$ 176,004	$ 174,683

Status of Fund Balances with Treasury		
Unobligated Balance		
Available	42,375	42,761
Unavailable	13,047	14,078
Obligated Balance not yet disbursed	120,478	117,654
Other funds	104	190
Total	$ 176,004	$ 174,683

Unavailable unobligated balance includes the following		
Allotments - Expired Authority	$ 13,047	$ 14,078

Restricted donations, included in the available unobligated and obligated 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 endowments for the Presidential Libraries are restricted and have been obligated and invested in non-federal investments.   The restricted balance as of September 30, 2007 is $12,493 thousand (of which $798 thousand is unobligated) and $12,483 thousand as of September 30, 2006 (of which $852 thousand is unobligated).

Other Funds represent clearing fund accounts and non-entity FBWT funds. The clearing fund accounts include transactions awaiting determination of proper accounting disposition. The non-entity FBWT funds consist 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.

The unused fund balance of $5,596 thousand in canceled appropriation for FY 2002 was returned to Treasury at the end of the fiscal year.

Note 3 – Investments

Investments as of September 30, 2007 and September 30, 2006 consist of the following

(in thousands):

Amounts for 2007 Balance Sheet Reporting			
	Cost	Other Adjustments	Market value disclosure
Intragovernmental Securities			
Non-Marketable	$ 8,340	$ -	$ 8,340
Accrued Income	2	-	2
Total Intragovernmental	**$ 8,342**	**$ -**	**$ 8,342**
Other securities			
Vanguard Intermediate Term Investment - Admiral	11,773	(127)	11,646
Emerging Markets Stock Index Fund	504	55	559
Vanguard Developed Markets Index Fund	898	193	1,091
Vanguard Total Bond Market Index Fund-Admiral	6,008	116	6,124
Vanguard Total Stock Market Index Fund-Admiral	1,316	150	1,466
Vanguard PRIMECAP Core Fund	910	146	1,056
Accrued Interest	30	-	30
Total Other	21,439	533	21,972
Total Investments	**$ 29,781**	**$ 533**	**$ 30,314**

Amounts for 2006 Balance Sheet Reporting

	Cost	Other Adjustments	Market value disclosure
Intragovernmental Securities			
Marketable	$ 7,630	-	$ 7,630
Accrued Income	1	-	1
Total Intragovernmental	**$ 7,631**	**-**	**$ 7,631**
Other securities			
Money Market Funds	57	-	57
Focused Core Fund	11,245	190	11,435
Vanguard Developed Markets Index Fund	891	(2)	889
Vanguard Total Bond Market Index Fund-Admiral	6,357	129	6,486
Vanguard Total Stock Market Index Fund-Admiral	898	19	917
Vanguard PRIMECAP Core Fund	892	18	910
Accrued Interest	175	-	175
Total Other	20,515	354	20,869
Total Investments	**$ 28,146**	**$ 354**	**$ 28,500**

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

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)

	2007		2006	
	Intra-governmental	With the public	Intra-governmental	With the public
Accounts receivable	$ 9,789	$ 554	$ 12,486	$ 656
Allowance for uncollectible accounts	-	-	-	(3)
Accounts receivable, net	$ 9,789	$ 554	$ 12,486	$ 653

Note 5 – Inventories

Inventories consist of merchandise held available for current sale at gift shops in the Presidential Libraries and the National Archives buildings.

(in thousands)

	2007	2006
Inventory held for sale	$ 1,290	$ 1,373
Allowance for damaged and obsolete goods	(263)	(263)
Net realizable value	$ 1,027	$ 1,110

Note 6 - General Property, Plant and Equipment, Net

The following components comprise Property, Plant and Equipment as of September 30, 2007 and September 30, 2006 *(in thousands):*

				2007	2006
Asset category	Estimated useful life in years	Acquisition cost	Accumulated depreciation/ amortization	Net book value	Net book value
Land	N/A	$ 6,159	$ -	$ 6,159	$ 6,159
Buildings and structures	30	387,189	(169,166)	218,023	230,971
Construction and shelving in progress	N/A	16,061	-	16,061	7,782
Equipment & Shelving	3 to 20	64,891	(42,489)	22,402	22,032
Leasehold Improvements	5	3,430	(638)	2,792	2,986
Assets under capital lease	20	5,284	(2,962)	2,322	2,586
Internal-use software	5	50,047	(32,974)	17,073	16,577
Software development in progress	N/A	93,039	-	93,039	50,653
Total property, plant and equipment		$ 626,100	$ (248,229)	$ 377,871	$ 339,746

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 multiuse heritage assets. All other buildings are deemed to be heritage assets and are not included in the general PP&E. They are described further in Note 7.

Note 7 - Stewardship PP&E

NARA is a custodian to multiple assets classified as heritage, including the National Archives Building in Washington, DC, all Presidential Libraries, as well as all artifacts, and traditional and electronic holdings. These 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.

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 are reported in Required Supplementary Information. 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 15.

Note 8 – Liabilities not covered by Budgetary Resources

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. Liabilities not covered by budgetary resources as of September 30, 2007 and September 30, 2006, consist of the following:

(in thousands)

	2007	2006
Intragovernmental		
Workers' compensation	$ 434	$ 339
Total intragovernmental	434	339
Debt held by the public	216,841	226,938
Accrued unfunded leave	8,649	9,018
Workers' compensation-actuarial liability	10,666	10,220
Total liabilities not covered by budgetary resources	236,590	246,515
Total liabilities covered by budgetary resources	50,991	52,279
Total liabilities	$ 287,581	$ 298,794

Note 9 - 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. NARA is paying off the debt in semiannual installments.

Although the full amount financed of $301,702 thousand was included (scored) for U.S. budget estimation purposes in fiscal year 1989, NARA requires a 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.

(in thousands)	2007	2006
Beginning balance - Principal	225,342	234,567
Less : Debt repayment	10,026	9,225
Ending balance - Principal	**215,316**	**225,342**
Accrued interest payable	1,525	1,596
Total Debt at September 30	**216,841**	**226,938**

Note 10 – Other Liabilities

Other Liabilities as of September 30, 2007 and September 30, 2006, consists of the following:

(in thousands)	2007		
	Non-Current	**Current**	**Total**
Intragovernmental			
Workers' and unemployment compensation	1,385	1,151	2,536
Capital lease liability	661	133	794
Accrued payroll	-	1,399	1,399
Advances from others	-	508	508
Total Intragovernmental	2,046	3,191	5,237
Workers' compensation	10,666	-	10,666
Accrued funded payroll and leave	-	9,976	9,976
Unfunded leave	8,649	-	8,649
Other liabilities	-	109	109
Advances from others	-	265	265
Due to others	-	-	-
Total other liabilities	**$ 21,361**	**$ 13,541**	**$ 34,902**

	2006		
	Non-Current	**Current**	**Total**
Intragovernmental			
Workers' and unemployment 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**

Note 11 – 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 Regulations.

One lease is classified as a capital lease. The capital lease represents the liability for shelving leased through GSA at the Philadelphia records facility. It expires in December 2014. A similar capital lease at the Dayton facility expired in September 2007, with no future payments due. Net capital lease liability is covered by budgetary resources, and included in Intragovernmental Liabilities, Other.

The schedule below shows the future minimum payments under the capital lease with the present value of the future minimum lease payments (in thousands):

Capital Lease - NARA as lessee	**2007**	**2006**
Summary of assets under capital lease:		
Shelving	$ 5,284	$ 5,284
Accumulated amortization	(2,962)	(2,698)
Description of Lease Arrangements		
Future payments due		
Fiscal year		
2008	$ 146	
2009	146	
2010	146	
2011	146	
2012	146	
After 2012	317	
Total future lease payments	1,047	
Less: imputed interest	253	
Net capital lease liability	**$ 794**	

NARA also has the following non-cancelable operating leases with GSA, which include no renewal options:

Records facility	**Lease Period**
Pittsfield, Massachusetts	January 5, 1994 through January 4, 2014
Dayton (Kingsridge), Ohio	September 1,2004 through December 31, 2022
Lenexa, Kansas	February 1, 2003 through January 31, 2023

Other non-cancelable operating leases are with public corporations which cover the Perris, CA and Atlanta, GA records facilities. 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. Both leases have three ten year renewal options after the initial period. NARA also has a non-cancelable operating lease with a public corporation which covers the Ft. Worth, Texas records facility. The lease period is October 1, 2006 through September 30, 2026.

Both, GSA and public corporations leases, include escalation clauses for operating costs tied to inflationary increases and for real estate taxes tied to tax increases. The minimum future lease payments detailed below reflect estimated escalations for such increases. These amounts will be adjusted to the actual costs incurred by the lessor.

In addition, NARA has a non-cancelable operating lease with Potomac Electric Power Company for a parcel of land used 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 non-cancelable lease payments by asset class

(in thousands):

Non-cancelable Operating Leases -
NARA as lessee

Future payments due:	Asset Category	
Fiscal year	Land	Buildings
2008	$ 123	$ 12,285
2009	126	12,444
2010	129	12,629
2011	132	12,748
2012	135	12,922
After 2012	1,658	138,410
Total future lease payments	**$ 2,303**	**$ 201,438**

Note 12 – Commitments and Contingencies

NARA has incurred claims in the normal course of business. As of September 30, 2007, 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 $7 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 13 - Earmarked Funds

Earmarked funds are financed by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities, or purposes, and must be accounted for separately from the Government's general revenues. NARA has two funds that are considered earmarked funds; National Archives Trust Fund (NATF) and National Archives Gift Fund (NAGF), which are administered by the National Archives Trust Fund Board.

Congress established the National Archives Trust Fund Board to receive and administer gifts and bequests and to receive monies from the sale of reproductions 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.

NATF finances and administers the reproduction or publication of records and other historical materials. 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.

Financial Information for NATF and NAGF as of September 30, 2007 and 2006 consists of the following: (in thousands)

| | 2007 | | |
	NATF	NAGF	Total Earmarked Funds
Balance Sheet as of September 30, 2007			
Assets			
Fund balance with Treasury	619	101	720
Cash	51	-	51
Investments, net	14,526	15,788	30,314
Accounts receivable	366	-	366
Inventory	1,027	-	1,027
Property, plant and equipment	32	-	32
Total assets	16,621	15,889	32,510
Liabilities			
Accounts payable	556	16	572
Other liabilities	986	-	986
Total liabilities	1,542	16	1,558
Net position			
Cumulative results of operations			
Restricted	-	12,493	12,493
Unrestricted	15,079	3,380	18,459
Total net position	15,079	15,873	30,952
Total liabilities and net position	16,621	15,889	32,510
Statement of Net Cost for the Period Ended September 30, 2007			
Gross Program Costs	16,918	2,620	19,538
Less Earned Revenues	18,094	-	18,094
Net Costs of Operations	(1,176)	2,620	1,444
Statement of Changes in Net Position For the Period Ended September 30, 2007			
Net position, Beginning of fiscal year	13,380	15,794	29,174
Non-exchange revenue	-	821	821
Donations	-	1,724	1,724
Other Budgetary Financing Sources	-	398	398
Imputed financing from costs absorbed by others	522	-	522
Other Financing Sources	-	(243)	(243)
Total financing sources	522	2,700	3,222
Net cost of operations	(1,176)	2,620	1,444
Change in Net Position	1,698	80	1,778
Net Position, End of fiscal year	**$ 15,078**	**$ 15,874**	**$ 30,952**

	2006		
	NATF	NAGF	Total Earmarked Funds
Balance Sheet as of September 30, 2006			
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.

Note 14 – Intragovernmental Costs and Exchange Revenues by Program

(in thousands)	2007	2006
Records and Archives Related Services		
Intragovernmental gross costs	48,049	51,511
Public costs	234,845	233,739
Total Records and Archives-Related Service Costs	282,894	285,250
Intragovernmental earned revenue	545	1,244
Public earned revenue	-	-
Total Records and Archives-Related Service Earned Revenue	545	1,244
Trust and Gift Funds		
Intragovernmental gross costs	4,375	2,863
Public costs	10,621	10,634
Heritage asset renovation costs (Note 15)	1,200	634
Total Trust and Gift Funds Costs	16,196	14,131
Intragovernmental earned revenue	1,270	1,064
Public earned revenue	16,824	15,859
Total Trust and Gift Funds Earned Revenue	18,094	16,923
Electronic Records Archives		
Intragovernmental gross costs	3,873	4,656
Public costs	3,218	1,755
Total Electronics Records Archives Costs	7,091	6,411
National Historical Publications and Records Commission Grants		
Intragovernmental gross costs	-	-
Public costs	5,681	7,014
Total National Historical Publications and Records Commission Grants Costs	5,681	7,014
Archives Facilities and Presidential Libraries Repairs and Restoration		
Intragovernmental gross costs	-	162
Public costs	888	382
Heritage asset renovation costs (Note 15)	3,667	11,942
Total Archives Facilities and Presidential Libraries Repairs and Restoration Costs	4,555	12,486
Revolving Fund Records Center Storage and Services		
Intragovernmental gross costs	68,847	67,609
Public costs	75,989	75,741
Total Revolving Fund Records Center Storage and Service Costs	144,836	143,350
Intragovernmental earned revenue	135,144	134,582
Public earned revenue	871	979
Total Revolving Fund Records Earned Revenue	$ 136,015	$ 135,561

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.

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

Note 15 – 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, 2007 and September 30, 2006:

(in thousands)	**2007**		**2006**		
Asset	*Gift*	*Appropriation*	*Gift*	*Trust*	*Appropriation*
National Archives Building	$ 1,200	$ 1,448	$ 300	-	$ 5,973
Libraries:					
Roosevelt	-	151	-	-	449
Hoover	-	651	-	-	930
Truman	-	50	-	-	55
Eisenhower	-	18	-	-	141
Kennedy	-	163	66	43	468
Johnson	-	572	-	-	2,553
Nixon	-	26	-	-	510
Ford	-	89	-	-	234
Carter	-	22	-	-	386
Reagan	-	72	-	225	227
Bush	-	397	-	-	7
Clinton	-	8	-	-	9
Total	$ 1,200	$ 3,667	$ 366	$ 268	$ 11,942

The Nixon Library was transferred to the National Archives on July 11, 2007. The costs incurred prior to this date were for efforts to evaluate the condition of the building prior to acceptance of the library.   For additional information about NARA's Stewardship Assets see Note 7 and Required Supplementary Information.

Note 16 – Stewardship PP&E Acquired Through Transfer, Donation or Devise

Other than permanent records accessioned from other Federal Agencies, NARA may gain 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, and detailed by the type and quantity of heritage assets added during the fiscal year in the Required Supplementary Information.

Note 17 - Apportionment Categories of Obligations Incurred

OMB typically uses one of two categories to distribute budgetary resources subject to apportionment 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. At the end of FY2006, OMB retroactively designated NARA's Revolving and Gift funds as subject to apportionment, which is indicated below by a shift from Exempt to Category B for September 30, 2007. NARA's Trust fund remains exempt from apportionment.

The amounts of direct and reimbursable obligations incurred.

(in thousands)	Category A		Category B		Exempt		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Direct	$302,106	$319,136	$ 61,286	$27,010	$ -	$ -	$363,392	$ 346,146
Reimbursable	1,534	2,896	141,458	146,223	16,841	24,050	159,833	173,169
Total	$303,640	$322,032	$202,744	$173,233	$16,841	$24,050	$523,225	$ 519,315

Note 18 - 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 fiscal year 2006 to be available through the end of FY2007. During FY 2007, $ 445 thousand was transferred to 2007 appropriation account.

Note 19 – 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 President's Budget that will include FY 2007 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2008. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

Instead, NARA FY 2006 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.

(in millions)	**2006**		
	Budgetary Resources	Obligations Incurred	Net Outlays
Statement of Budgetary Resources	584	520	323
Difference-Expired appropriations	(16)	(2)	-
Budget of the U.S. Government	568	518	323

Note 20 – Undelivered orders at the end of the period

The amount of budgetary resources obligated for undelivered orders at September 30, 2007 and 2006 is $88,851 thousand and $87,744 thousand, respectively.

Note 21 – Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

Reconciling budgetary resources obligated during the period to the Net Cost of Operations explains the relationship between the obligation basis of budgetary accounting and the accrual

basis of financial (proprietary) accounting. Prior to FY 2007, this reconciliation appeared as the Statement of Financing.

The reconciliation starts with the net obligations incurred during the period. Net obligations incurred are amounts of new orders placed, contracts awarded, services received and other similar transactions that will require payments during the same or a future period. To arrive at the total resources used to finance operations, non-budgetary resources must be added to net obligations incurred. Non-budgetary resources include financing imputed for cost subsidies and unrealized gains and losses from non-federal securities being held by the Gift fund. Resources that do not fund net costs of operations are primarily the change in amount of goods, services and benefits ordered but not yet received, amounts provided in the current reporting period that fund costs incurred in prior years and amounts incurred for goods or services that have been capitalized on the balance sheet. These are deducted from the total resources. Costs that do not require resources in the current period consist of depreciation and asset revaluations. Financing sources yet to be provided are the financing amounts needed in a future period to cover costs incurred in the current period, such as unfunded annual leave and unfunded workers compensation. The costs that do not require resources in the current period and the financing sources yet to be provided are added to the total resources used to finance operations, to arrive at the net cost of operations for the current period.

(in thousands)	**2007**	**2006**
Net obligations incurred	$328,064	$332,858
Nonbudgetary Resources	17,659	17,789
Total resources used to finance activities	345,723	350,647
Resources that do not fund net cost of operations	(64,456)	(60,695)
Cost that do not require resources in the current period	23,011	21,658
Financing sources yet to be provided	2,322	3,304
Net cost of operations	$306,600	$314,914

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 9-30-06	Additions	Deletions	Balance 9-30-07
Record types				
Artifacts (# of items)				
Presidential Libraries	542,056			542,056
Office of Regional Records Services	20		20	0
Washington, DC	1,488			1,488
Total	543,564	0	20	543,544
Traditional Holdings (in cubic feet)				
Presidential Libraries	232,835	1,772		234,607
Office of Regional Records Services	684,569	23,043		707,612
Washington, DC	2,369,515	24,829		2,394,344
Affiliated archives	12,425			12,425
Total	3,299,344	49,644	0	3,348,988
Electronic Holdings (in logical data records)				
Presidential Libraries	35,308,040			35,308,040
Washington, DC[1]	4,575,733,048	125,871,141		4,701,604,189
Total	4,611,041,088	125,871,141	0	4,736,912,229
Non-record types				
Buildings and structures (in units)				
Presidential Libraries - structures	18	1		19
National Archives Building	1			1
Multi-use heritage asset-building	2			2
Total	21	1	0	22
Land in pieces, multi-use	2			2

1 During FY 2007 NARA has refined the unit of measure for our electronic records from physical records in files to true logical data records (LDR). Our holdings have not decreased, but the change resulted in restatement of the FY 2006 ending balance of 10,511,709,254 physical records to 4,575,733,048 LDR for the same records. (See Section 3.1 of the Performance Section for more details).

Archival holdings consist of the following record types:

- o   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.

- o   Traditional Textual (paper) are records on paper whose intellectual content is primarily textual. The unit of measure for traditional textual is cubic feet.

- o   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.

- o   Electronic records are records on electronic storage media. The unit of measure for electronic records is the logical data record.

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 (44USC 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.

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).

Information about the condition and deferred maintenance on NARA's buildings and structures 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 in Alaska. 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 perform Building Condition Reports (BCR) for all NARA owned facilities, using a five year cycle schedule. 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 2007, needed maintenance projects for thirteen locations, including twelve Presidential Libraries, have been identified from current BCR reports, and are included in the deferred maintenance estimate.

Category	Method	Acceptable Asset Condition	Estimated Deferred Maintenance
Heritage assets – Buildings	CAS	Good	$41 to 42 million
Multi-use assets – Buildings	CAS	Good	$7 to 8 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 critical deferred maintenance on building and equipment in good condition.

o *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.

o *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 BCR's, to address serious deficiencies of the buildings related to safety and protection of valuable materials are reflected in the estimate, above.

Required Supplementary Information

Schedule of Budgetary Resources by Major Budget Accounts

(in thousands)

Fiscal Year 2007	Records and Archives -Related Services	Gift Fund	Trust Fund	Electronic Records Archives	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
Budgetary Resources								
Unobligated Balance brought forward, October 1:	14,389	2,365	3,342	9,002	1,048	8,509	25,863	64,518
Recoveries of prior year unpaid obligations	6,292	1	635	897	440	574	1,412	10,251
Budgetary appropriations received	279,338	15,756	-	45,254	7,425	9,120	-	356,893
Spending authority from offsetting collections	11,506	-	17,856	-	-	-	141,636	170,998
Nonexpenditure transfers, net, anticipated and actual	2,000	-	-	-	(2,000)	-	-	-
Permanently not available	15,622	-	-	-	-	-	-	15,622
Total Budgetary Resources	297,903	18,122	21,833	55,153	6,913	18,203	168,911	587,038
Status of Budgetary Resources								
Obligations Incurred	286,154	15,847	16,840	48,941	5,706	8,408	141,329	523,225
Unobligated Balance-available	417	2,275	4,993	4,497	1,207	9,795	27,582	50,766
Unobligated balance not available	11,332	-	-	1,715	-	-	-	13,047
Total Status of Budgetary Resources	297,903	18,122	21,833	55,153	6,913	18,203	168,911	587,038
Change in Obligated Balance								
Obligated balance, net, beginning of period	56,688	140	2,328	29,323	9,148	16,775	3,442	117,844
Obligations incurred net	286,154	15,847	16,840	48,941	5,706	8,408	141,329	523,225
Less: Gross outlays	(272,258)	(15,957)	(16,837)	(53,016)	(6,184)	(7,797)	(140,930)	(512,979)
Less: Recoveries of prior year unpaid obligations, actual	(6,292)	(1)	(635)	(897)	(440)	(574)	(1,412)	(10,251)
Change in uncollected customer payments from Federal sources	8	-	117	-	-	-	2,617	2,742
Obligated balance, net, end of period	64,300	29	1,813	24,351	8,230	16,812	5,046	120,581
Net Outlays								
Gross outlays	272,258	15,957	16,837	53,016	6,184	7,797	140,930	512,979
Less: Offsetting collections	(11,514)	-	(17,973)	-	-	-	(144,253)	(173,740)
Less: Distributed Offsetting receipts	(11)	(13,902)	-	-	-	-	-	(13,913)
Net Outlays	**260,733**	**2,055**	**(1,136)**	**53,016**	**6,184**	**7,797**	**(3,323)**	**325,326**

Required Supplementary Information

Schedule of Budgetary Resources by Major Budget Accounts

Fiscal Year 2006	Records and Archives-Related Services	Gift Fund	Trust Fund	Electronic Records Archives	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
Budgetary Resources								
Unobligated Balance brought forward, October 1:	15,135	4,622	10,965	3,684	492	19,392	20,424	74,714
Recoveries of prior year unpaid obligations	4,563	7	183	631	137	387	1,682	7,590
Budgetary appropriations received	283,045	1,765	-	37,914	7,500	9,682	-	339,906
Spending authority from offsetting collections	13,120	-	16,244	-	-	127	149,277	178,768
Nonexpenditure transfers, net	2,000	-	-	-	(2,000)	-	-	-
Permanently not available	16,594	-	-	379	75	97	-	17,145
Total Budgetary Resources	**301,269**	**6,394**	**27,392**	**41,850**	**6,054**	**29,491**	**171,383**	**583,833**
Status of Budgetary Resources								
Obligations Incurred	286,880	4,030	24,050	32,848	5,006	20,982	145,519	519,315
Unobligated Balance-available	1,224	2,364	3,342	8,089	1,048	8,509	25,864	50,440
Unobligated balance not available	13,165	-	-	913	-	-	-	14,078
Total Status of Budgetary Resources	**301,269**	**6,394**	**27,392**	**41,850**	**6,054**	**29,491**	**171,383**	**583,833**
Change in Obligated Balance								
Obligated balance, net, beginning of period	47,179	5	1,179	38,847	10,983	6,124	2,988	107,305
Obligations incurred net	286,880	4,030	24,050	32,848	5,006	20,982	145,519	519,315
Less: Gross outlays	(272,908)	(3,887)	(23,185)	(41,741)	(6,703)	(9,945)	(131,528)	(489,894)
Less: Recoveries of prior year unpaid obligations, actual	(4,563)	(7)	(183)	(631)	(137)	(387)	(1,682)	(7,590)
Change in uncollected customer payments from Federal sources	100	-	467	-	-	-	(11,856)	(11,289)
Obligated balance, net, end of period	56,688	140	2,328	29,323	9,148	16,775	3,442	117,844
Net Outlays								
Gross outlays	272,908	3,887	23,185	41,741	6,703	9,945	131,528	489,897
Less: Offsetting collections	(13,220)	-	(16,711)	-	-	(127)	(137,421)	(167,479)
Less: Distributed Offsetting receipts	(99)	-	-	-	-	-	-	(99)
Net Outlays	**259,589**	**3,887**	**6,474**	**41,741**	**6,703**	**9,818**	**(5,893)**	**322,319**

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 that mission and help NARA achieve its strategic goals, we have aligned our programs to focus on areas that we believe represent the agency's most significant challenges. We have identified those areas as NARA's top ten management challenges and have identified the related audits, investigations, and reviews that were performed in FY 2007.

1.   Electronic Records Archives (ERA)

NARA's challenge is to build a system that will accommodate past, present, and future formats of electronic records. The ERA Program did not meet its September 2007 goal of producing an initial operating capability for ERA with planned incremental improvements that will eventually result in full system capability. Instead, the ERA program has experienced delivery delays, cost overruns and staffing shake-ups. The success of this mission critical program is uncertain. The challenge will be to deliver and maintain a functional ERA system that will preserve electronic records for as long as needed.

> *Audits, investigations, and reviews performed in FY 2007:*
> - Management Letter relating to the Independent and Objective Oversight of the Electronic Records Archive Program

2.   Electronic Records Management (ERM)

NARA directs the Electronic Records Management (ERM) initiative, one of 24 Government-wide initiatives. The ERM initiative will provide guidance to agencies in managing and transferring to NARA, in an increasing variety of data types and formats, their permanent electronic records. NARA and its Government partners are challenged with determining how to manage electronic records, and how to make ERM and e-Government work more effectively.

3.   Improving Records Management

Part of NARA's mission is to ensure that Federal officials and the American public have continuing access to records. NARA must work with Federal agencies to make scheduling, appraisal, and accessioning processes more effective and timely. The challenge is how best to accomplish this component of our overall mission and identify and react to agencies with critical records management needs.

> *Audits, investigations, and reviews performed in FY 2007:*
> - Audit of the Processing of Records Accessioned into NARA.

- Audit of Management Controls for Safeguarding NARA's Specially
  Protected Records and Artifacts (SPRA) Stored in Secured Stacks, Vaults,
  and Safes
- Investigation related to the Potential Compromise of Classified Material

4. Information Technology Security

Information technology security continues to present major challenges for NARA. The authenticity, reliability, and availability of our electronic records and information technology systems are only as good as our IT security infrastructure. Each year, the risks and challenges to IT security continue to evolve. 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 2007:*
> - Review of Archives II File Server Disk-Space Utilization
> - Review of Selected Security Aspects of NARA's Computer Network
>   Environment
> - Management Letter related to Contingency Planning for Information
>   Technology Systems
> - Investigation related to Computer Hacking

5. Expanding Public Access to Records

In a democracy, the records of its 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. Of critical importance is NARA's role in ensuring the timeliness and integrity of the process of declassifying classified material held at NARA.

> *Audits, investigations, and reviews performed in FY 2007:*
> - Audit of the Processing of Records Accessioned into NARA.
> - Audit of Management Controls for Safeguarding NARA's Specially
>   Protected Records and Artifacts (SPRA) Stored in Secured Stacks, Vaults,
>   and Safes
> - Investigation related to the Fraudulent Request for Veteran's Records

6. 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 that house Federal records to meet defined physical and environmental requirements by FY 2009. NARA's challenge is to ensure compliance with these regulations internally as well as by other agencies that house Federal records.

7. Preservation Needs of Records

The Archivist identified preservation as a reportable condition under the FMFIA reporting process in FY 2006. NARA cannot provide public access to records to support researchers' needs unless it can preserve them for as long as needed. As in the case of our national infrastructure (bridges, sewer systems, etc.), NARA holdings grow older

daily and are degrading. NARA is challenged to address this condition and related challenges.

8. Improving Project Management

Effective project management 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, analysis and testing to support acquisition and deployment of the systems and oversight to ensure effective or efficient results within costs. These projects must be managed and tracked to ensure cost, schedule and performance goals are met.

9. Physical and Holdings Security

The Archivist has identified security of collections as a material weakness under the FMFIA reporting process. 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 new realities that face this nation, post–September 11, and the risks that our holdings may be pilfered, defaced, or destroyed by fire or other natural disasters.

Audits, investigations, and reviews performed in FY 2007:
- Audit of Management Controls for Safeguarding NARA's Specially Protected Records and Artifacts (SPRA) Stored in Secured Stacks, Vaults, and Safes
- Audit of Suitability Determination of Contract Employees
- Investigation related to the Recovery of Stolen Passport Photographs
- Investigation related to the Recovery of Robert E. Lee and W.D. Pender Letters
- Investigation related to the Recovery of Bureau of Indian Affairs Record from Trash
- Investigation related to the Recovery of Civil War Records
- Investigation related to Contract Fraud/False Claims
- Investigation related to the Recovery of Stolen Presidential Pardon
- Investigation related to Security Violations in A1 Classified Research Room/SCIF

10. Strengthening Human Capital

The GAO has identified human capital as a Government-wide high risk. NARA's challenge is to adequately assess its human capital needs in order to effectively recruit, retain, and train people with the technological understanding and content knowledge that NARA needs for future success.

Audits, investigations, and reviews performed in FY 2007:
- Audit of Suitability Determination of Contract Employees
- Investigation related to the Recovery of Civil War Records
- Investigation related to the Recovery of Stolen Presidential Pardon

- Investigation related to Fraudulent Claim of Time Recorded on Time Sheets
- Investigation related to the Destruction of Government Property
- Investigation related to the Inappropriate Access to Classified Material

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT

National Archives and Records Administration

700 Pennsylvania Avenue, NW
Washington, DC 20408-0001

October 25, 2007

FY 2007 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 two 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), the Office of Government Ethics (OGE), NARA's Office of Inspector General (OIG), management control evaluations, and other written evaluations conducted in the 12 NARA offices and staff organizations. It is also based on senior management's knowledge gained from the daily operations of NARA programs and systems. I have also relied upon the advice of the Office of the Inspector General concerning this statement of assurance. Specific exceptions to this statement include material weaknesses in collections security and our IT security program as discussed in the following report. Efforts to fully resolve both material weaknesses are monitored by NARA's senior staff and results are reported directly to me.

ALLEN WEINSTEIN
Archivist of the United States

FY 2007 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."

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NARA's internal controls objective noted in the Archivist's statement of assurance are consistent with FMFIA objectives.

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

NUMBER OF MATERIAL WEAKNESSES

	Number at Beginning of Fiscal Year	Number Corrected	Number Added	Number Remaining at End of Fiscal Year
FY 2004	2	0	0	2
FY 2005	2	1	1	2
FY 2006	2	1	0	1
FY 2007	1	0	1	2

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS
Statement of Assurance: Qualified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Collections Security	✓					
IT Security Program		✓				
Total Material Weaknesses	1	1				2

Continuing Improvements in NARA Collections Security

NARA reported a material weakness in collections security in FY 2001 based on investigative findings from our Office of Inspector General (OIG). As reported in prior years, corrective steps have been taken, and many actions have been completed. In FY 2006, NARA convened an intra-office Collections Security Working Group to address remaining issues. Improved collections security is an ongoing and high priority concern, which will result in continuing reduction of risk.

During 2007, the working group:

- identified employment screening policies in preparation for a review and assessment of practices in 2008
- prepared a standardized training program that will be implemented in 2008;
- improved physical security at facilities
- completed the establishment of special storage areas for "treasure" holdings
- instituted standard collection security checklists for program audits at all locations
- worked with the OIG to improve communications with the public regarding prevention and response

In FY 2008, NARA will conduct a comprehensive review of all corrective actions to date and reassess the status of this material weakness. We will also continue efforts in five critical areas:

- Employment screening,

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- Staff training and monitoring,
- Security for records storage areas,
- Records control, and
- Theft preventions and response.

Improvement needed in the NARA IT Security Program

In the fourth quarter of FY 2007, NARA's Office of Information Services (NH) 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). The report of that assessment indicated that NARA's IT security program was functioning at a level of "partially compliant" in all areas tested, but warned that the program was overly dependent on the personnel implementing it, and was immature with respect to key processes.

Specifically, the assessment identified significant deficiencies in the areas of policy development, authorization, and communication of security responsibilities to system owners and other stakeholders. The assessment indicates that these deficiencies are rooted in the current level of staffing and resources, and are driving the over-dependency on the IT Security staff for implementation of the security program. The report points out that the dedication and proficiency of the security staff cannot substitute for the processes and procedures necessary to meet the security challenges on the immediate horizon. If not addressed, these deficiencies will limit the program's ability to mature to the level necessary to support future demands imposed by external mandates such as HSPD-12, or internal system development projects, such as the Electronic Records Archives.

These programmatic deficiencies, described in the PRISMA assessment, do not represent a technical risk to agency IT systems, the data they hold, or to the agency's external partners. However, the threshold condition for a significant deficiency is met by the report's conclusion that existing management resources are not sufficient to overcome the weaknesses that have been identified.

Because this issue is so recently defined, we do not yet have a detailed plan of corrective action. At a high level, we know that in FY 2008 we will address the following areas:

- Strengthening processes written policies,
- Improving communication and training for business owners regarding their roles and responsibilities with respect to IT systems, and
- Improving the quality assurance processes for the IT Security Program.

Other Internal Control Weaknesses

In past FMFIA reports, NARA has included information on internal control weaknesses that we deemed to meet the criteria of a reportable condition. Although we are no longer required to do so in this report, we choose to include this information in FY 2007. In both cases noted below, NARA's Inspector General characterizes the weaknesses as material. The essence of the difference in our positions on the characterizations of the weaknesses in preservation and processing lies in two areas: we do not agree that the existence of a backlog or the lack of resources are indicators of a material weakness. Other agencies experience these conditions, a fact that was noted in the OIG's audit report on textual processing issued in February 2007. We have noted these areas in our ten-year Strategic Plan and have established annual performance measures. We do not concur with the OIG assessment of the severity of risk associated with either weakness.

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Preservation Program

As a result of an OIG audit in FY 2005, NARA opened a material weakness related to its Preservation Program. Our FY 2006 FMFIA report noted that significant work against the original audit recommendations had been accomplished, and determined that the remaining issues no longer met the criteria for a material weakness. We constructed an action plan to address remaining issues and met all FY 2007 targets and milestones. We will continue to monitor this program in FY 2008. We do not agree with the OIG that additional time to test controls and a future audit are required to justify our decision to maintain this as a reportable condition.

Textual Processing

In FY 2006, NARA completed its own study of textual records processing to quantify the known backlog of textual records requiring processing to make them efficiently available to the public. NARA set a goal in its new 2006 Strategic Plan to address this backlog, which has been growing for decades, and we shifted resources in the Washington, DC, area in FY 2007 to apply more staffing to the problem. We included discussion of the backlog in our assessment of major challenges facing the agency in our FY 2006 and FY 2007 PARs. We do not consider this challenge to meet the criteria for a reportable condition or a material weakness. We know about the problem, are taking steps to address it, and are able to serve the records to the public despite their unprocessed status.

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PROGRESS ON 2006 AUDIT RECOMMENDATIONS

The NARA Inspector General (OIG) contracted with Clifton Gunderson, LLP (CG) to audit financial statements as well as internal controls and operations. CG performed an audit of the consolidated financial statements of the National Archives and Records Administration as of September 30, 2006. In its final report dated November 3, 2006, CG reported certain matters involving the internal control and its operation two of these were considered to be reportable conditions and one of these was considered to be a material weakness. CG made 21 recommendations to correct these conditions. (The 2006 Independent Auditor's Report may be found beginning on page 103 of NARA's 2006 Performance and Accountability Report.)

Area 1: Information Technology (IT)

CG noted this area a material weakness and made 18 recommendations related to access controls, the entity-wide security program, system software, and contingency planning. They are:

1. Develop and utilize a script or command line to identify inactive network accounts that have been inactive for more than 90 days and disable them.

2. Institute a process of 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. (a) Regularly recertify all physical access to sensitive NARA facilities, and (b) review agreements where contractors may act as an agent on behalf of NARA with third parties (e.g., Iron Mountain, etc.). (c) 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.

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. (a) NARA should be conducting background investigations on new hires prior to accessing NARA systems, and (b) implement a process to independently validate on an annual basis that such investigations are being performed in a timely manner.

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.

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 essential material, data, record, or communication).

Through September 30, 2007, Clifton Gunderson has accepted documentation and closed recommendations 1, 2, 3, 5, 8, 9, 10, 11, 12, 13, 15, 16, and 18. Recommendations 4, 6, 7, 14, and 17 in this group will remain open in the upcoming report.

Area 2: Review of Obligations

CG noted this area a reportable condition and made 1 recommendation related to quarterly review of obligations. That recommendation is:

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

Clifton Gunderson has accepted documentation and closed this recommendation.

Area 3: Financial Reporting

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.

Clifton Gunderson has accepted documentation for recommendation 20 and closed it. Recommendation 21 will remain open in the upcoming management letter.