



# FY 2020 AGENCY FINANCIAL REPORT



*Making Access Happen*

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

## NATIONAL ARCHIVES AND RECORDS ADMINISTRATION MISSION STATEMENT AND STRATEGIC GOALS

### MISSION STATEMENT

We drive openness, cultivate public participation, and strengthen our nation's democracy through public access to high-value government records.

### STRATEGIC GOALS

#### Make Access Happen

*NARA will make all records available to the public in digital formats, to ensure that anyone can explore, discover, and learn from NARA holdings.*

#### Connect with Customers

*NARA will improve internal and external customer engagement to cultivate and sustain public participation, and generate new understanding of the importance of records in a democracy.*

#### Maximize NARA's Value to the Nation

*NARA will reform and modernize records management policies and practices within the Federal government to effectively support the transition to digital government. NARA will drive public and commercial re-use of historical government data and records to create measurable economic activity.*

#### Build our Future Through Our People

*NARA will create and sustain a culture of empowerment, openness, and inclusion; and ensure that NARA has a diverse workforce with the skills necessary to fulfill the agency's mission.*

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*NARA publishes financial results in its annual Agency Financial Report (AFR) and reports on performance results in its Annual Performance Report (APR), with its annual Congressional Budget Justification. Current and prior-year NARA AFRs and APRs are available at [www.archives.gov/about/plans-reports/](http://www.archives.gov/about/plans-reports/).*

## LETTER FROM THE ARCHIVIST OF THE UNITED STATES



I am pleased to present the FY 2020 Agency Financial Report (AFR) of the National Archives and Records Administration (NARA). The AFR is a report

on NARA's financial and performance results for FY 2020. The AFR allows the President, Congress, and the American people to assess our stewardship over the Government resources that have been entrusted to NARA.

Our most notable accomplishment in FY 2020 was NARA's innovative approach to the work that we do and the citizens we serve during the COVID-19 pandemic. We established many procedures and precautions to ensure the health and safety of our workforce and our customers, while continuing to accomplish NARA's mission.

NARA utilized funding from the FY 2020 Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") to expand remote access for NARA employees to maximize telework during the COVID-19 pandemic. The funds provided allowed us to strengthen our IT network, improve remote access, and support our transition into a fully electronic environment. CARES Act funding was used to address our short-

term needs while improving our overall resilience over the long term.

NARA achieved many accomplishments in FY 2020 and demonstrated significant progress towards meeting the goals in our FY 2018 - FY 2022 Strategic Plan. The accomplishments highlighted below demonstrate NARA's effective stewardship of Federal resources and our continued commitment to modernizing government and improving services to citizens even during this unprecedented time..

### Key Accomplishments

- The National Personnel Records Center (NPRC) continued its mission to provide veterans and their families with copies of their military service records they need to access their rights and benefits, despite the disruptions of the pandemic. The majority of NPRC records are only available in hard copy and can only be accessed in person, by NARA staff. When the facility closed on March 23 due to the COVID-19 pandemic, NARA had to stop fulfilling most requests for veterans' records. However, as the pandemic subsided, the NPRC gradually restored some limited operations and a large number of employees volunteered to return to the facility to fulfill veterans' requests. Since the closure, the NPRC has responded to over 52,600 requests, including over 4,500 requests involving homeless

veterans, almost 7,700 requests related to medical emergencies, and over 27,000 requests to support military burials.

- NARA staff and the public added over 3,600,000 enhancements to archival records in the National Archives Catalog in FY 2020. NARA uses the National Archives Catalog to provide free, public access to digitized images of archival Federal government records. NARA encourages members of the public to enhance our records with tags, transcriptions, and comments to help make our records easier to discover and use. NARA encourages the public to enhance our records through a variety of communications channels. During the COVID-19 pandemic, NARA launched multiple campaigns specifically targeted to engage those individuals quarantined in exploring and enhancing our holdings through the National Archives Catalog. Since March, members of the public and NARA staff have contributed over 59,000 enhancements each week, which is more than five times the pre-COVID average.
- The National Archives, in partnership with the U.S. Department of Veterans Affairs (VA) digitized more than 20 million images from U.S. Navy and Coast Guard deck logs from the Vietnam era. NARA partnered with the VA to supply original records from the Vietnam era to support the

processing of veterans' claims, including those related to the Blue Water Navy Vietnam Veterans Act of 2019. Deck logs record the names of service members assigned to each ship and record the location of the ship. Many veterans can use archival deck logs to establish their eligibility for certain veteran's benefits, especially benefits that are contingent on the amount of time sailors spent within a certain proximity of Vietnam. The VA digitized NARA's records to streamline their adjudication of veterans' claims, and NARA retained the digital copies. Once the digitized images are described and any Personally Identifiable Information is redacted, NARA will release images to the public for online access.

- NARA also released hundreds of digital images of some of our most treasured and heavily protected records. NARA stores our most historically-valuable records in secure vaults, to increase security and limit physical access to reduce deterioration through handling. Vault materials at the National Archives in Washington, DC are among the most valuable records in NARA's collection, and are generally not made available to the public. In 2016, NARA received a gift from the public to index, preserve, digitize, and provide public access to the vault records. Through this gift, NARA digitized and applied conservation treatment to hundreds

of valuable and rarely-seen records, including 374 ratified Indian Treaties. NARA is finalizing this project by loading completed files onto the National Archives Catalog for free, public access.

- The National Archives launched the Presidential Library Explorer in August 2020. This resource provides a more efficient way for visitors to search through the Presidential records that NARA holds in trust and makes available to the American public. The Library Explorer tool provides a new pathway into millions of digitized records covering 14 Presidential administrations, from Herbert Hoover through former President Barak Obama. The Library Explorer allows the public to navigate through links that separate the textual records, photographs, maps, electronic records, video and audio related to each President. The Library Explorer demonstrates significant progress towards achieving our strategic goal of providing digital, next-generation finding aids to 95 percent of NARA holdings by 2025.
- In June 2020, NARA released its Digital Preservation Framework, which consists of a Risk and Prioritization Matrix and File Format Preservation Action Plans. Digital preservation is critical to the work outlined in the 2018-2022 Strategic Plan, which is to ensure cutting-edge access to extraordinary volumes of

government information and unprecedented engagement to bring greater meaning to the American Experience. The framework describe how we identify risks to digital files and prioritize them for action, identify the essential preservation characteristics for 16 different categories of electronic records, and plan for the preservation of over 500 file formats.

- In FY 2020, NARA commemorated the centennial of the 19th amendment that guaranteed that "The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of sex." The National Archives holds the records that help tell this story, including petitions, legislation, court cases, and more. The 19th Amendment Centennial Commemoration included a number of online events that highlighted records from our holdings and examined the fight for women's voting rights through virtual public programs. The hard work, resourcefulness, and creativity of employees across NARA led to an exciting observance of this landmark event even as our own current public health events changed around us.

### **Management Challenges and Opportunities**

The NARA Inspector General has identified ten challenges, detailed in the "Other information" section of this report, which present opportunities for

improvements. Management is aware of these issues and is committed to working collaboratively with our Inspector General to either mitigate or resolve these risks.

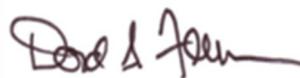
Information Technology security continues to present challenges as technology is constantly changing and security threats are constantly evolving. As Federal agencies create an ever-increasing volume of electronic records, we are looking at ways to ensure sufficient capacity, efficiency in throughput, and security of the Federal Government's records that must be preserved and made available to the public.

NARA continues to identify Human Capital practices as a material weakness. In FY 2020, we completed the migration of employee relations and labor relations to a shared service provider. We continue to collaborate with our shared services provider to review and correct HR data to ensure that this information is correct for all current and former employees.

Based on the status and progress that NARA has made to address its challenges and risks in FY 2020, I am able to provide a modified statement of assurance that – with the exceptions of material weaknesses in IT security and Human Capital practices – NARA's internal controls are meeting their intended objectives, as defined by OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Controls."

My assessment is based on results of internal control monitoring, testing and reporting conducted by NARA offices, discussions of weaknesses and risks conducted by NARA's internal control and risk management body, and audits and evaluations conducted by NARA's Office of Inspector General (OIG), the Government Accountability Office (GAO), and other third parties. I have also considered the advice of key management officials and the Inspector General in preparing this statement of assurance.

Our FY 2020 accomplishments are the result of the commitment and dedicated efforts of NARA employees, who take great pride in our mission. We take our responsibilities seriously and routinely review our business processes and internal control environment to detect, mitigate, and address control weaknesses and management challenges. We will continue to directly address our challenges, meet our opportunities, and improve the efficiency and effectiveness with which we fulfill our mission to ensure meaningful public access to the records of the U.S. Government.



David S. Ferriero  
Archivist of the United States

National Archives and Records Administration  
FY 2020 Agency Financial Report

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

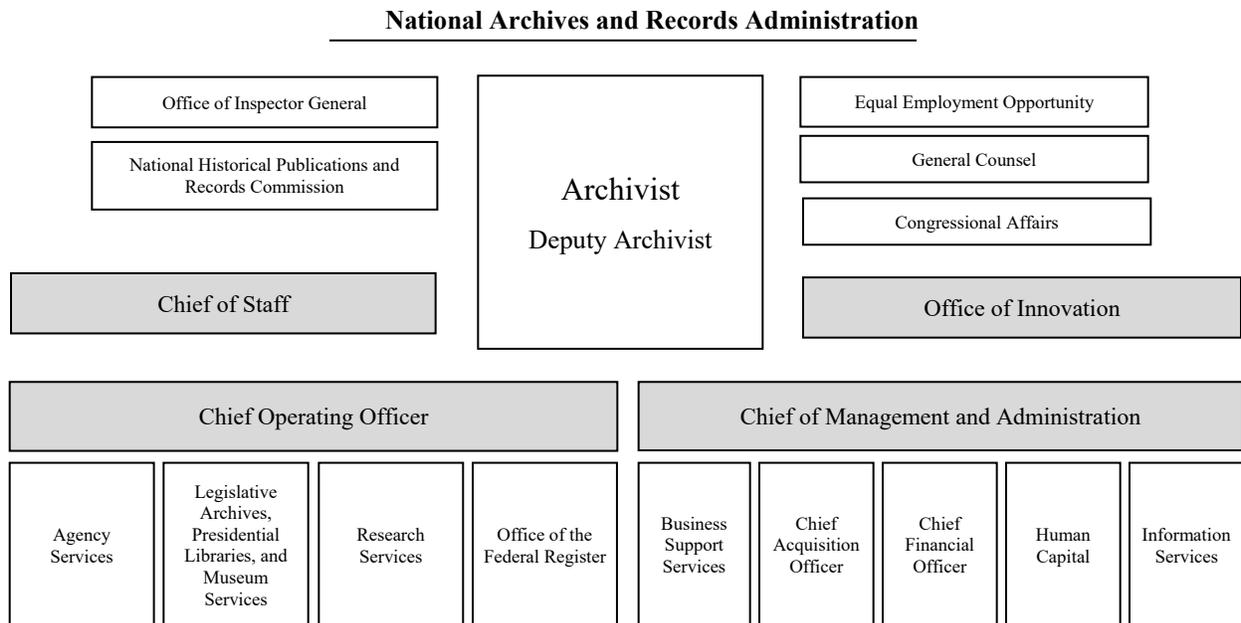
The Management's Discussion and Analysis (MD&A) section presents NARA's financial condition and program performance.

The MD&A provides an overview of NARA's organizational structure. It highlights key accomplishments in the program and financial performance, provides an analysis of the financial statements, and discusses NARA's internal controls, systems, and legal compliance with laws and regulations.

## NARA Organization

The National Archives and Records Administration ensures continued public access to historically valuable Federal records through services provided to other Federal agencies and the public. NARA is organized around customer segments, which ensures that resources and management attention are focused on delivering coordinated and effective service to all stakeholders.

NARA’s core operations are organized into the Office of the Federal Register (OFR) and three “Services”: 1) Agency Services, 2) Research Services, and 3) Legislative Archives, Presidential Libraries, and Museum Services. NARA Services and the OFR report to the Chief Operating Officer, who reports to the Archivist of the United States. NARA’s management and administration offices report to the Chief of Management and Administration and include the Chief Acquisition Officer, Business Support Services, the Chief Financial Officer, Information Services, Strategy and Performance, and the Office of Human Capital. The Chief of Management and Administration reports to the Archivist of the United States. The Office of Innovation, and six staff offices, including the independent Office of Inspector General, report directly to the Archivist. The National Historical Publications and Records Commission (NHPRC) is an independent body that awards grants to non-Federal archives and institutions; the Archivist is the Chair of the NHPRC, and staff who support the Commission report to him.



- *The Office of the Federal Register* fulfills the Archivist’s responsibilities to publish the daily Federal Register, the Code of Federal Regulations, and the Statutes-at-Large, and other statutory requirements.
- *Agency Services* leads NARA efforts to meet the records management needs of Federal agencies and represents the public’s interest in the transparency of these records.
- *Research Services* provides world-class service to researchers and citizens wanting to access the records of the National Archives and preserves archival holdings for the benefit of future generations.
- *Legislative Archives, Presidential Libraries, and Museum Services* focus on the records needs of the White House and Congress, researchers who make use of Presidential and Congressional records, and museum visitors, educators, and students.

NARA delivers its mission through a nationwide network of facilities, serving other Federal agencies and the public.



## Performance Highlights by Strategic Goal

### Make Access Happen

NARA surpassed its FY 2020 target to conduct basic archival processing on 81 percent of NARA’s archival holdings, despite the impact of the COVID-19 pandemic. New processing procedures and enhanced quality control procedures were implemented. These changes improved consistency in identifying and correcting processing

errors. As a result, managers were provided with enhanced feedback on overall processing performance.

In FY 2021, NARA plans to reduce the volume of unprocessed holdings by 0.5 percent. By FY 2022, NARA seeks to reduce this volume by 1 percent.

**Performance Goal: By FY 2021, 82 percent of NARA holdings will be processed to enable discovery and access by the public.**

<i>Performance Measure</i>	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Target	2020 Actual	Status
Percent of archival holdings processed	76%	85%	86%	89%	81%	89%	Met

### Connect with Customers

NARA prides itself on providing excellent customer service. We achieve customer satisfaction by providing consistent, reliable and efficient services.

This performance target consolidates several customer service metrics. These metrics include NARA responses to written reference requests from the public and from other Federal agencies, items NARA furnished in public research rooms, orders NARA fulfilled for copies of military separation documents, and responses to FOIA requests.

NARA did not meet its target for this metric. In March 2020, the COVID-19 pandemic disrupted nationwide operations. NARA closed all facilities to support stay-at-home orders and has since only gradually reopened our facilities and restored limited operations, commensurate with local public health conditions.

During the initial closure period, NARA accumulated a large backlog of unanswered customer requests. When NARA facilities opened for limited operations, we began to organize large volumes of requests received during the

closure period and schedule those inquiries for response. NARA continues to receive delayed requests and gain control over our backlog of unanswered requests.

The National Personnel Records Center (NPRC) responses to requests for military separation documents is one of the largest components of NARA’s consolidated customer service timeliness metric. Notably, NARA staff have responded to over 52,600 emergency reference requests during the closure and delayed reopening period, involving homeless veterans seeking shelter, medical emergencies, and burial honors for deceased veterans.

Eliminating the backlog of reference requests is among NARA’s Federal Records Centers Program’s highest priorities, with a goal of returning to, or exceeding, FY 2019 performance levels. NARA will continue to monitor progress, working to ensure that customer expectations are met.

Planned improvements for FY 2021-2022 will include efforts to expand remote processing opportunities and increase the capacity for digitization in the stacks in order to enhance operations in a socially-distanced, post-COVID-19 environment.

**Performance Goal: By 2020, 93 percent of customer requests will be ready within the promised time.**

<i>Performance Measure</i>	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Target	2020 Actual	Status
Percent of customer requests ready within the promised time	95%	91%	96%	97%	93%	90%	Not Met

### Maximize NARA’s Value to the Nation

Under 44 U.S.C. 2904(c)(7) and 2906(a), NARA has authority to conduct inspections or surveys of the records and provide recommendations for improvements. NARA met its FY 2020 performance target to inspect Federal agencies’ records management practices and programs, conducting a mix of

inspections and assessments for 56 agencies.

Federal agencies are selected for inspections based on several factors, such as the agency’s records management self-assessment survey results, the historical and public

significance of their records and related business processes, and known or suspected incidents of improper management of records.

NARA created a multi-agency approach to inspections based on specific topics. In FY 2020, these topics included disaster response and recovery records and managing permanent records. NARA’s complete inspection reports for current and previous inspections are available at: [Records Management Inspections](#).

NARA also published a semi-annual report of oversight activities that shares recurring themes, key observations, and recommendations for action. This report can be found at [Records Management Oversight Activities October 1, 2019 through May 31, 2020](#).

Impacts from COVID-19 did delay the completion of existing projects and the start of new projects. While COVID-19 has impacted how our work is conducted and how agencies are able to participate, we will continue to conduct inspections, assessments and audits.

**Performance Goal: By FY 2019, NARA will conduct inspections of records management practices at 10 percent of Federal agencies per year, to ensure that Federal email and other permanent electronic records are being managed in an electronic format.**

Performance Measure	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Target	2020 Actual	Status
Percent of Federal agencies inspected	–	3%	13%	12%	10%	10%	Met

## Build our Future Through Our People

NARA remains committed to developing an effective hiring process to reach the best talent in a competitive marketplace. Our effort to increase the percent of NARA positions within 80 days fell short of meeting our target of 85 percent. In the area of staffing, practices were implemented to facilitate the creation of preauthorized job analysis documents. This allowed for a more expedited job posting.

Due to the COVID-pandemic, the benefits from this investment were disrupted. This resulted in staffing delays, particularly in the interviewing process and new employee reporting.

In FY 2021, NARA will continue to partner with our shared service provider, Administrative Resource Center (ARC), to ensure the staffing timelines are met.

**Performance Goal: By FY 2020, 85 percent of NARA positions will be filled within 80 days**

Performance Measure	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Target	2020 Actual	Status
Percent of NARA positions filled within 80 days	53%	40%	48%	32%	85%	35%	Not Met

## Analysis of Financial Statements and Stewardship Information

NARA's financial statement auditor, CliftonLarsonAllen LLP, issued an unmodified ("clean") audit opinion on NARA's financial statements for the fiscal year ending September 30, 2020. The Financial Section of this report contains the financial statements, footnotes, and auditors' report.

NARA's financial statements consolidate the activity of the six Fund accounts under NARA's control. Appropriations from Congress finance the activities of the General Fund. The activities of the Records Centers Revolving Fund and the National Archives Trust and Gift Funds are financed by revenues collected from other Federal agencies and the public, respectively, and do not receive Congressional appropriations.

### General Funds

*NARA Operating Expenses appropriation, Archives and Records Management Activities* provides for the costs of records activities and archives-related activities. Records activities include processing, describing, preserving, and making publicly available the historical records of the Federal Government, including Presidential records, and helping other Federal agencies to fulfill their records management responsibilities. Archives-related activities provide for the publication of the daily *Federal Register* and the *Code of*

*Federal Regulations* and satisfy other statutory requirements.

*Repairs and Restoration appropriation* provides for repairs and improvements to the 17 Federal buildings that NARA owns, operates, and maintains nationwide. This appropriation provides for renovations to NARA-owned buildings necessary to maintain health and safety standards for occupants, preserve archival records stored in NARA facilities, and protect the value of government real property assets.

*National Historical Publications and Records Commission (NHPRC) Grants appropriation* provides for grants to State and local government archives and private institutions to preserve and publish historical records that document American history.

### Intragovernmental Revolving Fund

*Records Centers Revolving Fund, Records Centers Storage and Services Activities* provides for the storage and related services for temporary and pre-archival Federal government records at NARA Federal Records Centers. Operations of NARA Federal Records Centers are financed by user charges collected from other Federal agencies for storage of their records and related services.

### Trust Funds

*National Archives Trust Fund* provides for various services that support

members of the public who visit NARA archival facilities and Presidential Libraries, including researchers, museum visitors, and attendees at NARA educational and public programs. The National Archives Trust Fund receives and disburses funds collected from sales to the public, including reproductions of records, publications, merchandise, admissions to Presidential libraries, training events, and interest income (44 U.S.C. 2116). The Trust Fund also operates and manages a diversified financial investment portfolio on behalf of the Presidential Library system and nationwide archival locations.

*National Archives Gift Fund* provides the National Archives Trust Fund Board, chaired by the Archivist of the United States, with an efficient means to accept conditional and unconditional gifts and bequests for the benefit of, or in connection with, the archival and records activities administered by NARA (44 U.S.C. 2305). The National Archives Gift Fund receives endowments from private foundations; NARA uses the investment earnings from these endowments to support facility operations cost at the George H.W. Bush, William Clinton, George W. Bush, and Gerald R. Ford Libraries.

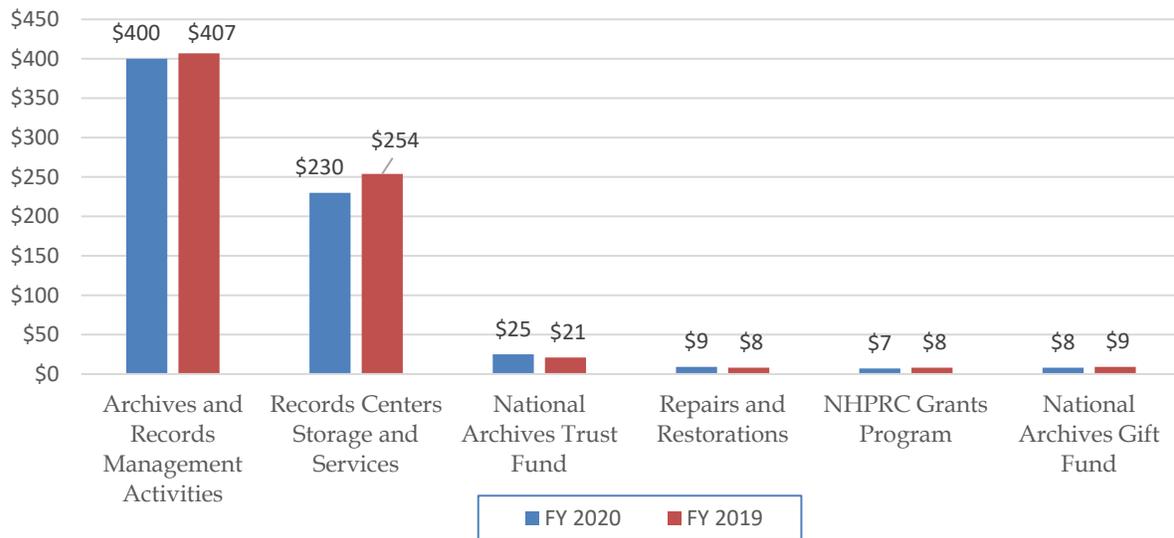
### **Analysis of Combined Statement of Budgetary Resources**

This statement provides information on the budgetary resources available to NARA as of September 30, 2020, and September 30, 2019, and the status of those resources.

Budget authority is the authority provided by law to enter into obligations that will result in future expenditures (outlays) of federal funds. NARA incurs obligations when placing an order, award of a contract, service received, or similar transaction, which will require payments during the same or a future period. Obligations reduce amounts available from budget authority or unobligated balances. Gross outlays reflect the actual cash disbursed by the Government in order to fulfill NARA's obligations.

NARA received \$679 million in total budgetary resources in FY 2020, a decrease of \$27 million from FY 2019. This decrease is the result of a reduction in appropriations and in spending authority from offsetting collections. Total net outlays (cash disbursements minus cash receipts) increased \$54 million from \$362 million in FY 2019 to \$416 million in FY 2020.

Approximately 57 percent (\$389 million) of NARA's total budgetary resources came from current-year appropriations, and an additional 27 percent (\$181 million) were revenues earned from services provided to other Federal agencies and the public. The remaining amounts came from unobligated balances carried forward from prior years (\$108 million).



**Figure 1: Total Budgetary Resources by Program (in millions)**

In FY 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) provided NARA’s Operating Expenses appropriation with an additional \$8.1 million to prevent, prepare for, and respond to the COVID-19 pandemic. These funds are available until September 30, 2021 and may be used to provide for coronavirus related expenses of NARA’s appropriated activities as well as the reimbursable Federal Records Centers Program. NARA obligated \$5.8 million in FY 2020, leaving \$2.3 million available for obligation in FY 2021.

The Statement of Budgetary Resources, included in the Financial section of this report, provides additional information on how NARA receives its budgetary resources and their status at the end of the fiscal year.

### Analysis of the Consolidated Balance Sheet

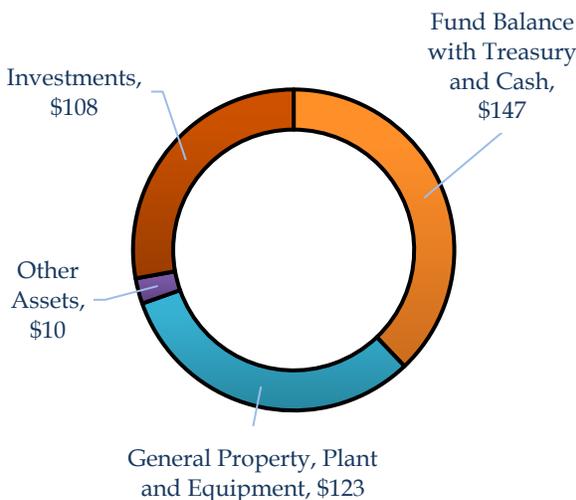
The Balance Sheet compares the amounts available for use by NARA (assets) to the amounts owed (liabilities) and amounts that make up the difference (net position).

*Total Assets* of \$388 million at the end of FY 2020 consisted of cash (*Fund balance with Treasury*), buildings owned by NARA, internal-use software and equipment (*Property and equipment*), Trust and Gift Fund investments, and amounts owed to NARA by customers, mostly Federal agencies (*Accounts receivable*).

NARA’s FY 2020 total asset balance decreased from FY 2019, by about \$54 million primarily due to reduction in Fund balance with Treasury and

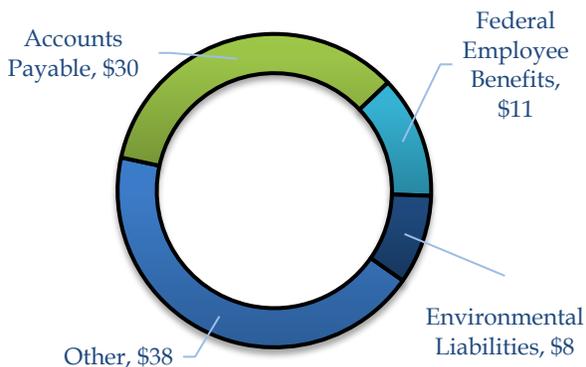
Intragovernmental Accounts Receivable collections from the Records Center Program.

**Figure 2: FY 2020 Assets (in Millions)**



NARA held *Total Liabilities* of \$87 million at the end of FY 2020, an increase of 20 percent (\$15 million) from the previous fiscal year. This was primarily in NARA's *Accounts Payable*, which represents amount owed to vendors but not yet paid.

**Figure 3: FY 2020 Liabilities (in millions)**



Forty percent (\$34 million) of NARA's total liabilities are unfunded, i.e., budgetary resources are not yet available as of September 30, 2020. The major elements of unfunded liabilities are \$11 million for the actuarial portion of *Federal employee benefits*, \$8 million for *Environmental asbestos clean-up costs*, and \$15 million for unfunded annual leave balances of NARA employees. For most unfunded liabilities, budgetary resources will be made available in the year that the balances are due, per OMB funding guidelines.

### Analysis of the Consolidated Results of Operations (Statement of Net Cost)

The Statement of Net Cost presents the full cost of NARA operations, by major programs, after intra-agency eliminations. Net costs include total gross costs, minus permitted revenues earned to offset against those costs.

NARA's total net cost of operations was \$472 million for FY 2020. NARA incurred \$637 million in gross costs in FY 2020, partially offset by \$165 million in revenues collected from Federal and non-Federal sources. Expenses financed by Congressional appropriations represent about 64 percent (\$406 million) of NARA's FY 2020 total gross costs.

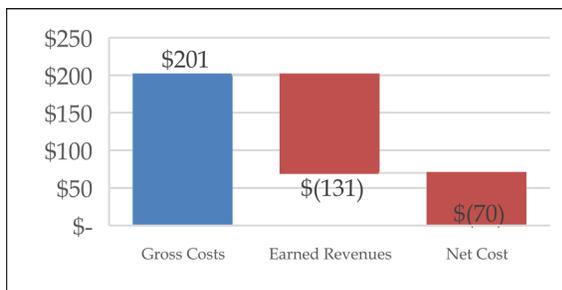
Below is a detailed analysis of NARA's net cost of operations for the Records Center Revolving Fund and National Archives Trust and Gift Funds.

**Figure 4: NARA Net Cost of Operations (in millions)**



Records Centers Revolving Fund,  
 Results of Operations

In FY 2020, the Records Centers Revolving Fund incurred \$201 million in gross costs, and earned \$131 million in revenues, resulting in net costs of \$70 million. Gross costs remained stable in FY 2019, and revenues decreased by \$35 million due to the closure of Record Center facilities due to COVID-19.



**Figure 4: Records Center Results of Operations (in millions)**

National Archives Trust and Gift Funds,  
 Results of Operations

The National Archives Trust and Gift Funds realized net revenues from operations of \$4 million in FY 2020, similar to FY 2019.

## Analysis of Controls, Systems, and Legal Compliance

### Federal Managers' Financial Integrity Act (FMFIA)

FMFIA requires all agencies to establish sufficient controls to reasonably ensure that: (i) obligations and costs comply with applicable laws; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. FMFIA requires the Head of the Agency to provide an assurance statement to the President on the adequacy of internal controls over operational, program, and administrative areas, as well as accounting and financial management. NARA's FY 2020 FMFIA assurance statement is included in the report.

### OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

This circular requires agencies to implement an Enterprise Risk Management (ERM) capability coordinated with the strategic planning and strategic review process established by Government Performance and Results Act Modernization Act (GPRAMA), and the internal control processes required by FMFIA and Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book).

NARA's evaluation of its internal controls for the year ended

September 30, 2020, provides reasonable assurance that – except for material weaknesses associated with Information Technology Security and Human Capital – the Agency's internal controls achieved their intended objectives in FY 2020.

### Federal Financial Management Improvement Act (FFMIA)

NARA is an *Accountability for Tax Dollars Act (ATDA)* agency, and is not subject to the requirements of FFMIA, per OMB Bulletin #19-03, *Audit Requirements for Federal Financial Statements*. NARA is not required to report separately on its compliance with FFMIA in its FMFIA reports; however, NARA is meeting FFMIA requirements.

### Anti-Deficiency Act (ADA)

The Anti-Deficiency Act prohibits agencies from entering into obligations in excess of or in advance of appropriations. As a general rule, agencies are required to obligate the total value of the base period of a contract at the time of award because the Agency is legally committed to pay that amount.

In July, 2020 GAO issued a decision that found that the NARA committed several Antideficiency Act (ADA) violations during the partial lapse in appropriations that occurred during fiscal year 2019. NARA disagrees that any ADA violations occurred. NARA is

in consultation with OMB on its response.

### **Debt Collection Improvement Act of 1996**

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the federal government to service and collect debts. NARA's shared-services providers for payroll, the Department of the Interior, Interior Business Center (IBC), and the Department of Treasury, Bureau of the Fiscal Service, Administrative Resource Center (ARC) manage NARA employee debts. The IBC tracks employee debts and pursues delinquent debts from NARA employees through salary offsets. NARA actively pursues delinquent non-Federal claims, and upon request by NARA, ARC transmits delinquent claims to Debt Management Services (DMS) for collection cross-servicing, in compliance with the Debt Collection Improvement Act of 1996.

### **Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012**

The Improper Payments Elimination and Recovery Improvement Act (IPERIA) bolsters efforts to identify, prevent, and recover payment error, waste, and fraud. IPERIA also reinforces and accelerates the "Do Not Pay" initiative. OMB Memorandum M-18-20, dated June 26, 2018, updated government-wide guidance on the

implementation of IPERIA. OMB Circular A-123, *Requirements for Payment Integrity Improvement*, Appendix C, contains the IPERIA guidance. The Other Information section of this report contains detailed reporting on NARA's improper payments.

### **Digital Accountability and Transparency Act (DATA Act) of 2014**

The Digital Accountability and Transparency Act of 2014 (DATA Act) (P.L. 113-101) was intended to make it easier to understand how the Federal government spends taxpayer dollars and improve oversight, data-driven decision-making, and innovation both inside and outside of the government.

NARA works cooperatively with our financial management shared services provider, the Department of Treasury, Bureau of the Fiscal Service, Administrative Resource Center (ARC), to certify and publish detailed quarterly spending data on the USAspending.gov website in compliance with the Data Act.

## Forward-Looking Information

### Make Access Happen

*Make Access Happen* affirms that “public access” is NARA’s core mission and is a higher calling that gives purpose and meaning to all our work. NARA is reaching beyond the traditional role of making records available for others to discover and is instead making access happen by delivering increasing volumes of electronic records to the American public online. In order to achieve success in this goal, NARA must develop new ways to help citizens find our records through the online National Archives Catalog.

To address the growing volume of records in the Catalog and improve workflows, NARA will expand decentralized Catalog uploads. Offices within NARA will perform direct uploads of information to the Catalog.

### Connect with Customers

Due to the COVID-19 pandemic, NARA accumulated a backlog of customer requests. Eliminating the backlog of reference requests is among NARA’s highest priorities, with a goal of returning to, or exceeding, FY 2019 performance levels.

Planned improvements for FY 2021-2022 include efforts to expand remote processing opportunities and increase the capacity for digitization in the stacks in order to enhance operations in a

socially-distanced, post-COVID-19 environment.

### Maximize NARA’s Value to the Nation

NARA has identified the critical need to transition Federal recordkeeping to a fully-electronic environment to promote efficiency, increase access to information, and allow NARA and Federal agencies to focus resources on meeting the challenges of managing electronic records.

In FY 2021 and FY 2022, NARA will revise the General Records Schedule to allow agencies to dispose of temporary and permanent original records that meet digitization standards for records.

### Build our Future through our People

In FY 2020, NARA continued the human resources shared services partnership with the Department of Treasury, Bureau of the Fiscal Service, Administrative Resource Center (ARC). However, the benefit from this investment was disrupted by the response to the COVID-19 pandemic, which caused staffing process delays particularly in the interviewing process and new employee on-boarding and reporting.

In FY 2021 and FY 2022, NARA will continue to partner with ARC to ensure the staffing timelines are met, subject to local public health conditions.

## Management Assurances



November 10, 2020

### **FY 2020 STATEMENT OF ASSURANCE**

#### **Statement of Modified Assurance**

The National Archives and Records Administration (NARA) Management is responsible for establishing, maintaining, and assessing internal controls to ensure operational and financial controls, and financial management systems meet the requirements and objectives of the Federal Managers' Financial Integrity Act (FMFIA), Federal Financial Management Improvement Act (FFMIA), OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and the Digital Accountability and Transparency Act (DATA Act) of 2014. I am able to provide a modified statement of assurance that, with the exception of material weaknesses in NARA's Information Technology Security and Human Capital processes, NARA's internal controls are meeting their intended objective of providing reasonable assurance that:

- (i) Programs achieve their intended results;
- (ii) Resources are used consistent with NARA's mission;
- (iii) Programs and resources are protected from waste, fraud, and mismanagement;
- (iv) Laws and regulations are followed; and
- (v) Reliable and timely information is obtained, maintained, reported, and used for decision making.

#### **Information Technology Security Material Weakness**

The modified statement of assurance pertains to weaknesses and risks associated with controls over NARA's Information Technology Security, which was identified by NARA Management as a material weakness in fiscal year 2015. Although NARA completed actions from the fiscal year 2015 action plan leading to improvements in NARA's IT Security posture, I conclude that it remains a material weakness. Our plan to resolve this weakness consists of actions (1) to meet and sustain targets for metrics identified in the OMB/DHS Risk Management Assessment (RMA) and (2) to fully implement the Cybersecurity Framework (CSF) Strategy. The action plan is expected to be completed by Fiscal Year 2023.

### **Human Capital Material Weakness**

In 2018, NARA Management identified a Material Weakness in Human Capital. This material weakness is associated with internal control deficiencies in Human Capital policies and procedures with emphasis on NARA's challenges in recruiting staff with the right skill set in a timely manner. In FY 2020, we completed the migration of employee relations and labor relations to a shared service provider. The remaining actions of (1) reviewing and correcting HR data for all current and former employees, (2) updating all HR policies and (3) ensuring compliance with the OMB Performance Management Reform is expected to be completed by Fiscal Year 2022.

This assessment is based on results of internal control monitoring, testing and reporting conducted by NARA offices, via NARA's Internal Control Program; information obtained and evaluated by management through daily operations; discussions of weaknesses and risks conducted by NARA's internal control and risk management body and; audits and evaluations conducted by NARA's Office of Inspector General (OIG), the Government Accountability Office (GAO), and other third parties. I have also considered the advice of key management officials and the Inspector General in preparing this statement of assurance.



DAVID S. FERRIERO  
Archivist of the United States

## **Limitations of the Financial Statements**

The principal financial 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). NARA's financial 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 OMB. These statements are prepared in addition to the financial reports NARA uses to monitor and control budgetary resources, which are prepared from the same books and records. NARA's financial statements should be read with the realization that they are for a component of the U.S. Government, which is a sovereign entity.

## FINANCIAL SECTION

The Financial Section contains the Independent Auditors' Report, NARA's financial statements and notes to financial statements, and required supplementary information.

The financial statements provide a comparison of FY 2020 and FY 2019 results. NARA prepares these statements in conformity with the U.S. Generally Accepted Accounting Principles (GAAP) for the federal government and OMB Circular A-136, Financial Reporting Requirements.

The notes accompanying the financial statements describe significant accounting policies, as well as detailed information on the financial statement contents.

## Principal Financial Statements

### Consolidated Balance Sheet

As of September 30, 2020 and 2019  
 (in thousands)

	2020	2019
<b>Assets:</b>		
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$ 146,515	\$ 181,715
Investments (Note 3)	11,344	12,431
Accounts receivable, Net (Note 4)	9,178	16,610
Other (Note 8)	<u>85</u>	<u>1,911</u>
Total intragovernmental	\$ 167,122	\$ 212,667
Cash and other monetary assets	36	35
Investments (Note 3)	96,601	90,155
Accounts receivable, Net (Note 4)	370	710
Inventory, Net (Note 5)	733	493
Property, plant and equipment, Net (Note 6)	123,399	138,577
Other (Note 8)	<u>218</u>	<u>272</u>
<b>Total assets</b>	<u>\$ 388,479</u>	<u>\$ 442,909</u>
Stewardship PP&E (Note 7)		
<b>Liabilities:</b>		
Intragovernmental:		
Accounts payable	\$ 1,200	\$ 558
Other (Note 10)	<u>5,200</u>	<u>4,768</u>
Total intragovernmental	\$ 6,400	\$ 5,326
Accounts payable	29,114	23,124
Federal employee and veteran benefits (Note 9)	11,298	11,166
Environmental and disposal liabilities (Note 9 and 16)	8,009	7,984
Other (Note 10)	<u>32,398</u>	<u>25,084</u>
<b>Total liabilities</b>	\$ 87,219	\$ 72,684
Commitments and Contingencies (Note 12)		
<b>Net Position:</b>		
Unexpended appropriations - All other funds	92,273	96,689
Cumulative results of operations - Funds from Dedicated Collections (Note 13)	107,454	102,053
Cumulative results of operations - All other funds	<u>101,533</u>	<u>171,483</u>
Total Net Position	\$ 301,260	\$ 370,225
<b>Total Liabilities and Net Position</b>	<u>\$ 388,479</u>	<u>\$ 442,909</u>

The accompanying notes are an integral part of these statements.

## Consolidated Statement of Net Cost

*For the years ended September 30, 2020 and 2019  
(in thousands)*

	2020		2019
<b>Archives and Records Management Activities</b>			
Gross costs	\$ 395,761	\$	382,773
Less: Earned Revenue	(290)		(69)
<b>Net Archives and Records Management Activities Program Costs</b>	<b>\$ 395,471</b>	<b>\$</b>	<b>382,704</b>
 <b>Trust and Gift Funds</b>			
Gross costs (excluding heritage asset renovation)	\$ 29,524	\$	22,538
Heritage asset renovation costs (Note 15)	93		-
Less: Earned Revenue	(33,656)		(26,635)
<b>Net Trust and Gift Funds Program Costs</b>	<b>\$ (4,039)</b>	<b>\$</b>	<b>(4,097)</b>
 <b>National Historical Publications and Records Commission Grants</b>			
Gross costs	\$ 5,807	\$	4,859
<b>Net National Historical Publications and Records Commission Grants Program Costs</b>	<b>\$ 5,807</b>	<b>\$</b>	<b>4,859</b>
 <b>Archives facilities and presidential libraries repairs and restoration</b>			
Gross costs (excluding heritage asset renovation)	\$ 627	\$	1,686
Heritage asset renovation costs (Note 15)	3,717		5,664
<b>Net Archives Facilities and Presidential Libraries Repairs and Restoration Program Costs</b>	<b>\$ 4,344</b>	<b>\$</b>	<b>7,350</b>
 <b>Records center storage and services</b>			
Gross costs	\$ 201,176	\$	200,630
Less: Earned Revenue	(131,020)		(176,300)
<b>Net Records Center Storage and Services Program Costs</b>	<b>\$ 70,156</b>	<b>\$</b>	<b>24,330</b>
 <b>Net Cost of Operations</b>	 <b>\$ 471,739</b>	 <b>\$</b>	 <b>415,146</b>

*The accompanying notes are an integral part of these statements.*

## Consolidated Statement of Changes in Net Position

For the year ended September 30, 2020  
 (in thousands)

	Funds from Dedicated Collections	All Other Funds	Consolidated Total
<b>Unexpended Appropriations:</b>			
Beginning Balance	\$ -	\$ 96,689	\$ 96,689
<b>Budgetary Financing Sources:</b>			
Appropriations received	-	385,923	385,923
Other Adjustments		(5,998)	(5,998)
Appropriations used	-	(384,341)	(384,341)
Total Budgetary Financing Sources	-	(4,416)	(4,416)
<b>Total Unexpended Appropriations</b>	-	92,273	92,273
<b>Cumulative Results of Operations:</b>			
Beginning Balance	102,053	171,483	273,536
<b>Budgetary Financing Sources:</b>			
Appropriations Used	-	384,340	384,340
Nonexchange Revenue	698	-	698
Donations and forfeitures of cash and cash equivalents	1,013	-	1,013
Transfers-in/out without reimbursement	(643)	643	-
Other	884	-	884
<b>Other Financing Sources:</b>			
Imputed financing	320	19,667	19,987
Other	268	-	268
Total Financing Sources	2,540	404,650	407,190
Net Cost of Operations	(2,861)	474,600	471,739
Net Change	5,401	(69,950)	(64,549)
<b>Cumulative Results of Operations:</b>	<b>107,454</b>	<b>101,533</b>	<b>208,987</b>
<b>Net Position</b>	<b>\$ 107,454</b>	<b>\$ 193,806</b>	<b>\$ 301,260</b>

The elimination column is omitted as no elimination activity impacts this statement.  
 The accompanying notes are an integral part of these statements.

## Consolidated Statement of Changes in Net Position

For the year ended September 30, 2019

(in thousands)

	Funds from Dedicated Collections	All Other Funds	Consolidated Total
<b>Unexpended Appropriations:</b>			
Beginning Balance	\$ -	104,910	104,910
<b>Budgetary Financing Sources:</b>			
Appropriations received	-	391,323	391,323
Other adjustments	-	(6,481)	(6,481)
Appropriations used	-	(393,063)	(393,063)
Total Budgetary Financing Sources	-	(8,221)	(8,221)
<b>Total Unexpended Appropriations</b>	<b>\$ -</b>	<b>\$ 96,689</b>	<b>\$ 96,689</b>
<b>Cumulative Results of Operations:</b>			
Beginning Balance	\$ 94,889	\$ 171,205	\$ 266,094
<b>Budgetary Financing Sources:</b>			
Appropriations Used	-	393,063	393,063
Nonexchange Revenue	902	-	902
Donations and forfeitures of cash and cash equivalents	3,424	-	3,424
Transfers-in/out without reimbursement	(719)	719	-
Other	57	-	57
<b>Other Financing Sources:</b>			
Imputed financing	482	23,556	24,038
Other	1,104	-	1,104
Total Financing Sources	5,250	417,338	422,588
Net Cost of Operations	(1,914)	417,060	415,146
Net Change	7,164	278	7,442
<b>Cumulative Results of Operations:</b>	<b>102,053</b>	<b>171,483</b>	<b>273,536</b>
<b>Net Position</b>	<b>\$ 102,053</b>	<b>\$ 268,172</b>	<b>\$ 370,225</b>

The elimination column is omitted as no elimination activity impacts this statement.  
 The accompanying notes are an integral part of these statements.

National Archives and Records Administration  
 FY 2020 Agency Financial Report

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**Combined Statement of Budgetary Resources**

*For the years ended September 30, 2020 and 2019  
 (in thousands)*

	2020	2019
<b>BUDGETARY RESOURCES:</b>		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 108,290	\$ 117,170
Appropriations (discretionary and mandatory)	389,193	396,435
Spending authority from offsetting collections (discretionary and mandatory)	181,900	193,121
<b>Total budgetary resources</b>	<b>\$ 679,383</b>	<b>\$ 706,726</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>		
New Obligations and Upward adjustments (total)	\$ 576,919	\$ 606,744
Unobligated balance, end of year:		
Apportioned, unexpired account	81,510	71,650
Exempt from apportionment, unexpired account	3,642	4,070
Unapportioned, unexpired accounts	2,807	7,119
Unexpired unobligated balance, end of year	87,959	82,839
Expired unobligated balance, end of year	14,505	17,143
Unobligated balance, end of year (total)	102,464	99,982
<b>Total budgetary resources</b>	<b>\$ 679,383</b>	<b>\$ 706,726</b>
Outlays, net (discretionary and mandatory)	\$ 419,481	\$ 366,913
Distributed offsetting receipts	(3,228)	(4,999)
<b>Agency Outlays, net (discretionary and mandatory)</b>	<b>\$ 416,253</b>	<b>\$ 361,914</b>

*The accompanying notes are an integral part of these statements.*

## Notes to the Financial Statements

### Note 1 – Summary of Significant Accounting Policies

#### *A. Reporting Entity*

The National Archives and Records Administration (NARA) is an independent agency administered by the Archivist of the United States. It comprises various Operating Administrations, each with its management and organizational structure, which collectively provide services and access to essential records. NARA's financial statements presented include accounts of all funds under NARA's control. The Financial Summary of Management Discussion and Analysis provides details on the NARA accounts. NARA does not have reportable balances with disclosure entities or related parties.

#### *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 as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. The American Institute of Certified Public Accountants (AICPA) recognizes FASAB standards as GAAP for Federal reporting entities.

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.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

#### *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. The U.S. Treasury processes NARA's cash receipts and disbursements.

Cash consists of imprest funds at Presidential Library museum stores. These funds are used to finance the store cashiers' start-up cash.

#### *D. Accounts Receivable*

Accounts receivable primarily consist of amounts due to the Revolving Fund for services provided to Federal agencies. Since receivables from other Federal entities are

considered fully collectible, there is no requirement for an allowance for doubtful account.

*E. Investments in Securities*

NARA holds both Federal and Non-Federal investments. Investments in Federal securities are made daily and reported at cost. A third-party capital management firm, the Vanguard Group, holds all Non-Federal investments, and are classified as trading equity securities that have readily determinable fair values. The balance sheet reports Non-Federal securities at fair value. Unrealized holding gains and losses, as well as interest income earned, are recognized in earnings every month.

NARA employs the services of the Vanguard Group to monitor and manage endowments, received pursuant to 44 U.S.C. § 2112, for the George Bush Library, William J. Clinton Library, George W. Bush Library, and Gerald R. Ford Library. The endowments provide income to offset the operations and maintenance costs of each corresponding Presidential library. The Collective Fund reflects each endowment as a separate investment account. NARA also exercises its authority under 44 U.S.C. § 2306, to move a portion of federally held investments for the Presidential Libraries to Vanguard.

*F. Inventories*

The National Archives Trust Fund inventories, which consist of merchandise held for sale, are stated at the lower of cost or market value, with the cost determined using the average cost method. The basis for the allowance for damaged and obsolete goods is a historical analysis and evaluation of inventory turnover from year to year. Recording of expenses occurs at the sale of inventories.

*G. Property, Plant and Equipment (PP&E)*

NARA's PP&E falls into two categories: general PP&E (See Note 6) and Stewardship PP&E (heritage assets) (See Note 7). General PP&E items are used to provide general government goods and services. General PP&E does not include heritage assets, defined as unique PP&E for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic (e.g., aesthetic) importance; or, significant architectural characteristics.

Multi-use heritage assets are heritage assets that are used predominantly for general government operations. General PP&E on the balance sheet includes the capitalization of costs of acquisition, significant betterment, or reconstruction of multi-use heritage assets and its depreciation.

## *H. Federal Employee Benefits*

### *Employee Health and Life Insurance Benefits*

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

OPM administers and reports the assets and liabilities for the post-retirement portion of these benefits. OPM finances these costs and NARA recognizes the full cost, including recognizing imputed cost for the difference between the estimated service cost and the sum of participants' pension benefit withholdings and agency contributions.. Using the cost factors supplied by OPM, NARA recognizes an expense for the future cost of post-retirement health benefits and life insurance for its employees as an 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. NARA recognizes these payments as operating expenses. The pension expense recognized in the financial statements equals the current service cost for NARA employees for the accounting period less the amount contributed by the employees. OPM, the administrator of these plans, supplies NARA with factors derived through actuarial cost methods and assumptions to apply in the calculation of the service cost. 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; this amount appears as an imputed cost on the Statement of Net Cost and as 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, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The U.S.

Department of Labor (DOL) administers the FECA program, 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. Since DOL has not recognized either the cost nor reimbursements, NARA computes actuarial FECA liability based on the model provided by DOL and presents it as a liability to the public on the Balance Sheet. See Note 9.

#### *I. 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. For appropriated funds, 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 9. Funding and payment occur in the year the leave is taken. The trust and revolving accounts fully fund annual leave when earned and are, therefore, included in the total liabilities covered by budgetary resources.

NARA expenses sick leave and other types of non-vested leave as taken. See Notes 9 and 10.

#### *J. 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.

#### *K. 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 "reasonably possible" are disclosed in the notes to the financial statements. Liabilities that are deemed "remote" are not recognized or disclosed in the financial statements.

*L. Allocation of Program Management Cost*

NARA is comprised of various operating administrations, each having its management and organizational structure. NARA allocates its general management and administrative support to its major components, *Archives and Records Management activities* and *Revolving fund*. General management costs are not allocated to the Trust and Gift Funds, administered by the National Archives Trust Fund Board, which is an organization independent of and not funded by, NARA. All other programs appearing on the Statement of Net Cost, such as *Archives facilities and presidential libraries repairs and restoration* and *National Historic Publications and Records Commission Grants* are, in essence, a part of the *Archives and Records Management Activities* appropriation, which funds the related administrative costs. These sub-programs are shown separately to demonstrate accountability and custodial responsibility for the funds received for these programs.

*M. Funds from Dedicated Collections*

NARA is subject to the Statement of Federal Financial Accounting Standards (SFFAS) No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, which requires separate identification of the funds from dedicated collections on the Balance Sheet, Statement of Changes in Net Position, and further disclosures in a footnote (see Note 14). These 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 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 fund from the Government's general revenues.

Note 2 - Fund Balance with Treasury

Status of Fund Balances with Treasury	2020	2019
Unobligated Balance		
Available	\$ 73,772	\$ 62,359
Unavailable	17,311	22,910
Obligated Balance not yet disbursed	54,964	96,021
Anticipated collections and appropriations		-
Sequestration for Trust fund	468	425
Other funds		-
<b>Total</b>	<b>\$ 146,515</b>	<b>\$ 181,715</b>

Unavailable unobligated balance includes the following

Allotments - Expired Authority	\$ 14,505	\$ 15,744
Unapportioned Authority	2,806	7,166
<b>Total</b>	<b>\$ 17,311</b>	<b>\$ 22,910</b>

This note provides additional information supporting the Fund Balance with Treasury reported on the Consolidated Balance Sheet.

Conditional 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 "conditional." Endowments for the Presidential Libraries are conditional and have been obligated and invested in non-federal investments. The conditional balance as of September 30, 2020, is \$26,576 thousand (of which \$2,482 thousand is unobligated) compared to the balance as of September 30, 2019, which was \$26,021 thousand (of which \$2,347 thousand is unobligated).

### Note 3 – Investments

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

#### *Intragovernmental Investments in Treasury Securities- Funds from Dedicated Collections*

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for funds from dedicated collections are deposited in the U.S. Treasury, which uses the cash for general Government purposes. The Department of the Treasury issues Treasury securities 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 and do not represent an asset or a liability in the U.S. Government 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 in the same way as all other 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.

National Archives and Records Administration  
 FY 2020 Agency Financial Report

*As of September 30, 2020*  
*(in thousands)*

	Cost	Interest Receivable	Investments Net	Adjustments Fair Value	Market Value Disclosure
Intragovernmental					
Securities:					
Marketable	\$ 11,344	\$ -	\$ 11,344	\$ -	\$ 11,344
<b>Total Intragovernmental</b>	<b>\$ 11,344</b>	<b>\$ -</b>	<b>\$ 11,344</b>	<b>\$ -</b>	<b>\$ 11,344</b>
Trading Securities:					
Developed Market Index			\$ -		\$ -
Dividend Growth Fund	3,982	25	4,007	1,329	5,336
Information Technology Index	3,747	10	3,757	3,417	7,174
Intermediate-Term Investment Grade	16,589		16,589	952	17,541
International Growth Index	3,298	16	3,314	885	4,199
Mid-Cap Growth Fund	6,524	16	6,540	592	7,132
PRIMECAP Core Fund	2,059	16	2,075	1,352	3,427
Real Estate Index Fund	3,320	33	3,353	(545)	2,808
Small-Cap Index	4,205	33	4,238	1,510	5,748
STAR Fund	4,968	19	4,987	230	5,217
Total Bond Market Index	19,506		19,506	714	20,220
Total International Bond Index	5,604		5,604	85	5,689
Total International Stock Index	6,553	19	6,572	(333)	6,239
Total Stock Market Index	3,841	31	3,872	1,999	5,871
<b>Total Other</b>	<b>\$ 84,196</b>	<b>\$ 218</b>	<b>\$ 84,414</b>	<b>\$ 12,187</b>	<b>\$ 96,601</b>
<b>Total Investments</b>	<b>\$ 95,540</b>	<b>\$ 218</b>	<b>\$ 95,758</b>	<b>\$ 12,187</b>	<b>\$ 107,945</b>

National Archives and Records Administration  
FY 2020 Agency Financial Report

*As of September 30, 2019*  
*(in thousands)*

	Cost	Interest Receivable	Investments Net	Adjustments Fair Value	Market Value Disclosure
Intragovernmental Securities:					
Marketable	\$ 12,431	\$ -	\$ 12,431	\$ -	\$ 12,431
<b>Total Intragovernmental</b>	<b>\$ 12,431</b>	<b>\$ -</b>	<b>\$ 12,431</b>	<b>\$ -</b>	<b>\$ 12,431</b>
Trading Securities:					
Developed Market Index	\$ 3,007	\$ 25	\$ 3,032	\$ 227	\$ 3,259
Dividend Growth Fund	5,726	37	5,763	2,305	8,068
Emerging Markets Stock Index	4,941	24	4,965	-	4,965
Equity Income Fund	55	-	55	3	58
GNMA Bond Fund	994	-	994	(17)	977
High-Yield Corporate Fund	5,603	-	5,603	(14)	5,589
Information Technology Index	4,728	13	4,741	2,155	6,896
Intermediate-Term Corporate Bond Index	147	-	147	7	154
Intermediate-Term Investment Grade	13,022	-	13,022	178	13,200
PRIMECAP Core Fund	1,904	34	1,938	1,468	3,406
Short-Term Investment-Grade	13,614	-	13,614	125	13,739
Small-Cap Index	6,961	38	6,999	3,164	10,163
Total Bond Market Index	7,630	-	7,630	436	8,066
Total International Bond Index	583	-	583	64	647
Total STAR Fund	53	1	54	2	56
Total Stock Market Index	6,387	15	6,402	3,366	9,768
Wellesley Fund	1,068	3	1,071	73	1,144
<b>Total Other</b>	<b>\$ 76,423</b>	<b>\$ 190</b>	<b>\$ 76,613</b>	<b>\$ 13,542</b>	<b>\$ 90,155</b>
<b>Total Investments</b>	<b>\$ 88,854</b>	<b>\$ 190</b>	<b>\$ 89,044</b>	<b>\$ 13,542</b>	<b>\$ 102,586</b>

**Note 4—Accounts Receivable, Net**

Intra-governmental Accounts Receivable primarily consist of amounts due to the Revolving Fund for services provided to Federal Agencies.

*(in thousands)*

		2020		
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts		Accounts Receivable, Net
Intragovernmental	\$ 9,178	\$ -	\$ -	\$ 9,178
With the Public	\$ 370	\$ -	\$ -	\$ 370

		2019		
	Accounts Receivable, Gross	Allowance for Uncollectible Accounts		Accounts Receivable, Net
Intragovernmental	\$ 16,610	\$ -	\$ -	\$ 16,610
With the Public	\$ 710	\$ -	\$ -	\$ 710

**Note 5—Inventory, Net**

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

*(in thousands)*

	2020	2019
Inventory held for sale	\$ 832	\$ 592
Allowance for damaged and obsolete goods	(99)	(99)
<b>Net realizable value</b>	<b>\$ 733</b>	<b>\$ 493</b>

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

This note provides additional information supporting the Property, Plant, and Equipment reported on the Consolidated Balance Sheet as of September 30, 2020, and 2019.

(in thousands)

Asset category	Useful life in years	Acquisition cost	Accumulated Depreciation	2020	2019
				Net Book Value	Net Book Value
Land	N/A	\$ 2,628		\$ 2,628	\$ 2,628
Buildings and Structures	30	404,920	(348,512)	56,408	71,203
Construction in Progress	N/A	1,364		1,364	1,359
Equipment & Shelving	3 to 20	118,346	(105,589)	12,757	13,420
Leasehold Improvements	various	48,895	(32,480)	16,415	19,083
Internal-Use Software	5	385,256	(365,215)	20,041	27,051
Software in Development	N/A	13,786		13,786	3,833
<b>Total property, plant and equipment</b>		<b>\$ 975,195</b>	<b>\$ (851,796)</b>	<b>\$ 123,399</b>	<b>\$ 138,577</b>

NARA capitalizes property items with a unit cost equal to or exceeding \$50 thousand, and construction and internal-use software development projects with the total development cost of \$250 thousand or greater, and a useful life exceeding two years. Internal-use software includes commercial off-the-shelf (COTS) software and internally-developed software. NARA expenses property items not meeting the capitalization criteria. Depreciation expense is calculated using the straight-line method over the useful life.

Land and Buildings and structures included above represent multi-use heritage assets. Assets deemed purely heritage assets are not included in the Balance Sheet. See Note 7 for further detail.

### Note 7 - Stewardship Property, Plant, and Equipment

NARA is a custodian to multiple assets classified as “heritage,” including the National Archives Building in Washington, DC, all Presidential Libraries, traditional and electronic archival records, and a variety of artifacts. These heritage assets are integral to NARA’s mission to safeguard, preserve, and ensure continued access to the records of our Government.

Heritage assets, except for those designated as multi-use, are not included in the Balance Sheet, as no financial value is, nor can be placed on them. The costs of repairs and renovations to heritage asset buildings are presented separately on the Statement of Net Cost as “Heritage asset renovation costs,” and detailed in Note 14.

The major categories of heritage assets for NARA are buildings, land, and archival holdings and artifacts. NARA reports archival holdings by collection (e.g., Presidential,

regional) and storage media (e.g., traditional, electronic), to more closely align with NARA processes to maintain and preserve archival holdings.

	Buildings	Multi-Use Land	Traditional Holdings Collections	Electronic Holdings Collections	Artifacts Collections
National Archives Building in Washington, DC	1	-	1	1	1
National Archives Building at College Park, MD	1 (multi-use)	-	1	1	1
NARA field archives	1 (multi-use)	1	12	-	-
Affiliated archives	-	-	7	2	-
Presidential Libraries	13	-	14	4	14
<b>TOTAL</b>	<b>16</b>	<b>1</b>	<b>35</b>	<b>8</b>	<b>16</b>

### *Buildings*

The National Archives building in Washington, DC, permanently displays the Declaration of Independence, the Constitution, and the Bill of Rights. The National Archives building also houses permanently-valuable records relating to genealogy, Native Americans, pre-World War II military and naval-maritime matters, the New Deal, the District of Columbia, the Federal courts, Congress, and Vice Presidents Gore and Cheney.

The National Archives in College Park, MD provides appropriate storage and preservation for collections including electronic records, cartographic and architectural holdings, special media (still photographs, motion pictures, audio recordings, and videotapes), artifacts, the John F. Kennedy Assassination Records collection, textual records from most civilian agencies, and military records dating from World War II. Because the building also serves as NARA’s administrative headquarters, the facility was deemed to be a multi-use heritage asset and included in general PP&E on the Balance Sheet (Note 6).

NARA’s regional archives facilities are leased, with the exception of the National Archives at Atlanta, GA, built on land purchased by NARA. The National Archives at Atlanta building and land are designated as multi-use heritage assets and included in general PP&E on the Balance Sheet (Note 6).

NARA field archival facilities contain collections of archival holdings of value for genealogical and historical research, such as naturalization records and passenger lists, closed business and personal bankruptcy case files, and civil and criminal case files from Federal courts. The traditional military service records for the twentieth century and personnel records of former federal civilian employees from the mid-1800s through 1951 are managed at the National Personnel Records Center in St. Louis, MO.

Affiliated archives store some holdings of the National Archives. Currently, nine affiliated institutions store archival Federal records on behalf of NARA.

The fourteen Presidential Libraries are designated as heritage assets. Each comprises a combination of buildings, structures, and land under NARA's management used to store, preserve, and display the collections of traditional archival holdings and artifacts from each respective Presidential administration.

In 2017, additional archival holdings relating to the Presidential records created during the administration of President Barack Obama were added to NARA's heritage assets. Unlike the other NARA Presidential libraries, whereby Presidential artifacts are made available through a traditional library or museum, the Obama heritage assets will be available digitally.

#### *Multi-Use Land*

NARA owns a parcel of land designated as multi-use at the National Archives in Atlanta, GA.

#### *Traditional Archival Holdings*

Traditional archival holdings consist of: (a) Traditional textual records on paper; and (b) Traditional non-textual records that are not electronic records, including: still pictures on paper and film; architectural drawings, charts, maps and other cartographic records on paper; textual records on microfilm; motion pictures, video, sound recordings; and other clearly non-textual records.

#### *Electronic Archival Holdings*

Electronic archival holdings are records in digital form, including but not limited to word processing documents, spreadsheets, emails (with attachments), databases, satellite imagery, and digital photographs from agencies in the executive, legislative, and judicial branches. The Electronic Records Archives (ERA) Base System and the new ERA 2.0 System launched in October 2018, maintain electronic records from Federal agencies. Three Presidential electronic holding collections, from the Ronald Reagan, George H.W. Bush, and William J. Clinton administrations, are maintained in College Park, MD. The Executive Office of the President (EOP) instance of the ERA system has ingested unclassified electronic materials from the George W. Bush and Barack H. Obama administrations.

#### *Artifacts*

In addition to artifacts at the National Archives buildings at Washington, DC, and College Park, MD, each Presidential Library is a repository to a collection of artifacts that NARA preserves and exhibits to promote public understanding of the respective Presidential administrations and the career of the President. These artifact collections include gifts from foreign heads of state, luminaries, and common citizens with artifacts

ranging from high-value items -- including firearms, jewelry, works of art, and coins and currency – as well as tee shirts, trinkets, and curiosities.

In 2017, there were additions to NARA’s heritage asset collections relating to the President Obama library. No collection is ever disposed of or retired. NARA’s collections only grow with the accessioning of new records or transfer of Presidential materials. NARA accessions records when the Archivist of the United States has determined, through the formal scheduling and appraisal process, that records have sufficient administrative, legal, research, or other value to warrant their continued preservation by the Government (44 USC § 3303a). When in the public interest, the Archivist may accept Government records for historical preservation (44 USC § 2107) and accept non-Government papers and other historical materials for deposit (44 USC § 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. NARA’s Annual Performance Report will provide performance details on progress in processing records and preservation efforts.

The most effective means to preserve records is by providing physically and environmentally appropriate storage conditions at NARA facilities. The Deferred Maintenance section of the Required Supplementary Information contains information about the deferred maintenance and repairs on NARA buildings.

#### Note 8 – Other Assets

Advances consist primarily of payments made to Federal Agencies for Information Technology orders. These advance payments are recorded as an asset, which is reduced when the actual order is received, or the accrual of the order is recorded. Deferred assets consist of an unamortized balance of a one-time cost of obtaining an operating lease. This cost is deferred and amortized over the lease term as additional rent expense.

(in thousands)

	2020		2019	
	Intra-governmental	With the public	Intra-governmental	With the public
Advances	\$ 85	-	\$ 1,911	-
Deferred assets	-	218	-	272
<b>Total other assets</b>	<b>\$ 85</b>	<b>\$ 218</b>	<b>\$ 1,911</b>	<b>\$ 272</b>

### Note 9 - Liabilities not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities that are not funded by a direct budgetary authority in the current fiscal year. These liabilities 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 appropriations.

(in thousands)

	2020	2019
Intragovernmental		
Other - Workers' compensation	\$ 677	\$ 763
Total Intragovernmental not covered by budgetary resources	\$ 677	\$ 763
Other - Accrued unfunded leave	\$ 15,006	\$ 11,719
Environmental liabilities	8,009	7,984
Federal employee benefits	11,298	11,166
Total liabilities not covered by budgetary resources	\$ 34,990	\$ 31,632
Total liabilities covered by budgetary resources	\$ 52,211	\$ 41,038
Total liabilities not requiring budgetary resources	\$ 18	\$ 14
<b>Total liabilities</b>	<b>\$ 87,219</b>	<b>\$ 72,684</b>

### Note 10 - Other Liabilities

(in thousands)

	2020			2019		
	Non-Current	Current	Total	Non-Current	Current	Total
Intragovernmental:						
Workers' and unemployment compensation	\$ 677	\$ 1,129	\$ 1,806	\$ 763	\$ 1,380	\$ 2,143
Accrued payroll benefits	27	3,325	3,352	-	2,533	2,533
Miscellaneous liabilities	-	18	18	-	14	14
Advances from others	-	24	24	-	78	78
Total Intragovernmental	\$ 704	\$ 4,496	\$ 5,200	\$ 763	\$ 4,005	\$ 4,768
Accrued funded payroll and leave	-	17,318	17,318	-	13,326	13,326
Unfunded leave	14,979	-	14,979	11,719	-	11,719
Miscellaneous liabilities	-	98	98	-	34	34
Advances	-	3	3	-	5	5
Total other liabilities	<b>\$ 15,683</b>	<b>\$ 21,915</b>	<b>\$ 37,598</b>	<b>\$ 12,482</b>	<b>\$ 17,370</b>	<b>\$ 29,852</b>

**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.

NARA conducts the majority of its field operations from leased facilities, and most agreements are cancelable operating leases. These leases may be cancelled with four months’ notice, under the provisions of the Federal Acquisitions Regulation.

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

Facility	Lease Period
Pittsfield, MA	January 5, 1994 through January 31, 2025
Dayton (Kingsridge), OH	September 1, 2004 through January 31, 2023
Lenexa, KS	February 1, 2003 through February 14, 2023
Pershing Rd, Kansas City, MO	January 1, 2009 through December 31, 2028
Archives Dr./Dunn Rd. St. Louis, MO	October 11, 2014 through April 30, 2031
Denver (Broomfield), CO	August 1, 2011 through May 20, 2032
Underground Dr, Kansas City, MO	March 1, 2015 through December 2, 2032
Underground Dr, Kansas City, MO -Archival	January 16, 2015 through December 2, 2032
Townsend Rd, Philadelphia, PA	December 1, 2012 through November 30, 2032
Lee’s Summit	August 15, 2017 through August 14, 2037
Dayton 2/3, Moraine, OH	January 1, 2020 through December 31, 2029

Other non-cancelable operating leases with public corporations are detailed below:

Facility	Lease Period
Perris, CA	December 1, 2004 through November 30, 2024
Ellenwood, GA	October 1, 2004 through August 31, 2024
Ft. Worth, TX	October 1, 2006 through October 31, 2026
Annex I and II, Valmeyer, IL	October 1, 2008 through September 30, 2028

All GSA and public corporation 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.

Also, NARA has a non-cancelable operating lease with Potomac Electric Power Company for a parcel of land used for a parking lot adjacent to the National Archives building in College Park, MD. The lease is for 20 years, from May 2003 through 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)

Fiscal year	NARA Operating Leases				
	Asset Category				
	Land	Buildings	Federal	Non-Federal	Total
2021	\$ 169	\$ 41,248	\$ 30,568	\$ 10,849	\$ 41,417
2022	173	41,497	30,799	10,871	41,670
2023	103	38,229	27,531	10,801	38,332
2024	-	36,341	25,872	10,469	36,341
2025	-	31,500	25,452	6,048	31,500
After 2025	-	186,297	173,469	12,828	186,297
<b>Total future lease payments</b>	<b>\$ 445</b>	<b>\$ 375,112</b>	<b>\$ 313,691</b>	<b>\$ 61,866</b>	<b>\$ 375,557</b>

### Note 12 - Commitments and Contingencies

NARA has incurred various claims in the normal course of business. As of September 30, 2020, and in the opinion of the General Counsel, NARA has no outstanding claims that have a reasonable possibility of an unfavorable outcome.

### Note 13 - Funds from Dedicated Collections

Funds from dedicated collections 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 accounted for separately from the Government's general revenues. NARA has two funds that are considered funds from dedicated collections: the National Archives Trust Fund (NATF) and the National Archives Gift Fund (NAGF), both of 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 are prescribed in the National Archives Trust Fund Board Act of July 9, 1941, as amended (44 U.S.C. §§ 2301-2308). The Board has established bylaws governing the conduct of the Board and its operations, 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, Research Services, and the National Historical Publications and Records Commission.

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Financial information for NATF and NAGF as of September 30, 2020 consists of the following:

*This note is presented on a combined basis.*

	NATF	NAGF	Total
<b>Balance Sheet as of September 30, 2020</b>			
<b>Assets</b>			
Fund balance with Treasury	\$ 504	\$ 100	\$ 604
Cash	36	-	36
Investments, net	75,915	32,030	107,945
Accounts receivable	61	-	61
Inventory	733	-	733
<b>Total assets</b>	<b>\$ 77,249</b>	<b>\$ 32,130</b>	<b>\$ 109,379</b>
<b>Liabilities</b>			
Accounts payable	636	\$ 58	\$ 694
Federal employee benefits	548	-	548
Other liabilities	683	-	683
<b>Total liabilities</b>	<b>\$ 1,867</b>	<b>\$ 58</b>	<b>\$ 1,925</b>
<b>Net position</b>			
Cumulative results of operations			
Conditional	\$ -	\$ 26,576	\$ 26,576
Unconditional	75,382	5,496	80,878
<b>Total net position</b>	<b>\$ 75,382</b>	<b>\$ 32,072</b>	<b>\$ 107,454</b>
<b>Total liabilities and net position</b>	<b>\$ 77,249</b>	<b>\$ 32,130</b>	<b>\$ 109,379</b>
<b>Statement of Net Cost</b>			
<b>For the Period Ended September 30, 2020</b>			
Gross Program Costs	\$ 29,439	\$ 1,356	\$ 30,795
Less Earned Revenues	33,656	-	33,656
<b>Net Costs of Operations</b>	<b>\$ (4,217)</b>	<b>\$ 1,356</b>	<b>\$ (2,861)</b>
<b>Statement of Changes in Net Position</b>			
<b>For the Period Ended September 30, 2020</b>			
Net position, Beginning of fiscal year	\$ 70,850	\$ 31,203	\$ 102,053
Non-exchange revenue	-	698	698
Donations	-	1,013	1,013
Transfers-in/out without reimbursements	(7)	(636)	(643)
Other Budgetary Financing Sources	-	1,152	1,152
Imputed financing	320	-	320
<b>Total financing sources</b>	<b>313</b>	<b>2,227</b>	<b>2,540</b>
<b>Net cost of operations</b>	<b>(4,217)</b>	<b>1,356</b>	<b>(2,861)</b>
<b>Change in Net Position</b>	<b>4,530</b>	<b>871</b>	<b>5,401</b>
<b>Net Position, End of fiscal year</b>	<b>\$ 75,380</b>	<b>\$ 32,074</b>	<b>\$ 107,454</b>

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Financial information for NATF and NAGF as of September 30, 2019 consists of the following:

*This note is presented on a combined basis.*

	NATF	NAGF	Total
<b>Balance Sheet as of September 30, 2019</b>			
<b>Assets</b>			
Fund balance with Treasury	\$ 576	\$ 100	\$ 676
Cash	35	-	35
Investments, net	70,963	31,623	102,586
Accounts receivable	385	-	385
Inventory	493	-	493
<b>Total assets</b>	<b>\$ 72,452</b>	<b>\$ 31,723</b>	<b>\$ 104,175</b>
<b>Liabilities</b>			
Accounts payable	395	\$ 521	\$ 916
Federal employee benefits	540	-	540
Other liabilities	667	-	667
<b>Total liabilities</b>	<b>\$ 1,602</b>	<b>\$ 521</b>	<b>\$ 2,123</b>
<b>Net position</b>			
Cumulative results of operations			
Conditional	\$ -	\$ 26,021	\$ 26,021
Unconditional	70,850	5,182	76,032
<b>Total net position</b>	<b>\$ 70,850</b>	<b>\$ 31,203</b>	<b>\$ 102,053</b>
<b>Total liabilities and net position</b>	<b>\$ 72,452</b>	<b>\$ 31,724</b>	<b>\$ 104,176</b>
<b>Statement of Net Cost</b>			
<b>For the Period Ended September 30, 2019</b>			
Gross Program Costs	\$ 22,401	\$ 2,320	\$ 24,721
Less Earned Revenues	26,635	-	26,635
<b>Net Costs of Operations</b>	<b>\$ (4,234)</b>	<b>\$ 2,320</b>	<b>\$ (1,914)</b>
<b>Statement of Changes in Net Position</b>			
<b>For the Period Ended September 30, 2019</b>			
Net position, Beginning of fiscal year	\$ 66,140	\$ 28,749	\$ 94,889
Non-exchange revenue	-	902	902
Donations	-	3,424	3,424
Transfers-in/out without reimbursements	(6)	(713)	(719)
Other Budgetary Financing Sources	-	57	57
Imputed financing	482	-	482
Other Financing Sources	-	1,104	1,104
<b>Total financing sources</b>	<b>476</b>	<b>4,774</b>	<b>5,250</b>
<b>Net cost of operations</b>	<b>(4,234)</b>	<b>2,320</b>	<b>(1,914)</b>
<b>Change in Net Position</b>	<b>4,710</b>	<b>2,454</b>	<b>7,164</b>
<b>Net Position, End of fiscal year</b>	<b>\$ 70,850</b>	<b>\$ 31,203</b>	<b>\$ 102,053</b>

**Note 14 – Cost of Stewardship Property, Plant, and Equipment**

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 and structures for the year ended September 30, 2020, and 2019.

(in thousands)

Asset	2020			2019		
	Appropriation	Gift	Trust	Appropriation	Gift	Trust
National Archives Building	\$ 10	-	-	\$ 286	-	-
Libraries:						
Roosevelt	244	-	-	75	-	-
Hoover	62	-	-	141	-	-
Truman	206	-	-	116	-	-
Eisenhower	291	-	-	3,157	-	-
Kennedy	297	-	93	49	-	-
Johnson	365	-	-	143	-	-
Nixon	109	-	-	293	-	-
Ford	660	-	-	135	-	-
Carter	719	-	-	467	-	-
Reagan	623	-	-	433	-	-
Bush	111	-	-	9	-	-
Clinton	-	-	-	91	-	-
G.W. Bush	20	-	-	269	-	-
<b>Total</b>	<b>\$ 3,717</b>	<b>\$ -</b>	<b>\$ 93</b>	<b>\$ 5,664</b>	<b>\$ -</b>	<b>\$ -</b>

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

**Note 15 – Stewardship PP&E Acquired Through Transfer, Donation or Devise**

NARA may gain ownership of heritage assets as permanent records accessioned from other federal agencies and the Executive Office of the President, or through gifts and bequests 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 National Archives activities or Presidential Libraries. Additional information about heritage assets is presented in Note 7 and detailed by the type and quantity of heritage asset collections.

**Note 16 – Cleanup Cost Adjustment**

NARA has recorded a liability for estimated cleanup costs related to asbestos in accordance with FASAB Technical Bulletin 2006-1: Recognition and Measurement of

Asbestos-Related Cleanup Costs. This standard requires all Federal entities to disclose the estimated clean-up costs for the future removal of asbestos that does not pose an immediate health threat, known as “non-friable” asbestos. NARA has identified seven facilities (all are stewardship assets) where the existence of non-friable asbestos is probable. NARA developed a method to estimate the liability for future non-friable asbestos cleanup costs by using the quantity of non-friable asbestos identified in previous asbestos surveys and other reports, and the current cost to contain, remove, and dispose of it. This cost estimate is reviewed and updated annually, to account for any asbestos cleanup activity performed during the year, plus inflation.

**Note 17- 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 2020 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in February 2021. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

The table below shows NARA’s prior year actual SBR balances and the related President’s Budget for each major budget account in which a difference exists. The differences are primarily due to differences in reporting requirements 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.

	<b>2019</b>			
	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 707	\$ 607	\$ (4)	\$ 367
Difference-Expired appropriations	(17)	-	-	-
Difference-Rounding	1	(1)	-	-
<b>Budget of the U.S. Government</b>	<b>\$ 691</b>	<b>\$ 606</b>	<b>\$ (4)</b>	<b>\$ 367</b>

Note 18 – Undelivered Orders at the End of the Period

	2020		2019	
	Fed	NonFed	Fed	NonFed
Paid Undelivered Orders	\$ 85		\$ 1,911	\$ -
Unpaid Undelivered Orders	2,928	54,665	3,280	87,634
Total Undelivered Orders	\$ 3,013	\$ 54,665	\$ 5,191	\$ 87,634

Note 19 – Budget and Accrual Reconciliation (BAR)

The Budget and Accrual Reconciliation (BAR) explains the relationship between NARA’s net outlays on a budgetary basis and the net cost of operations during the reporting period.

The reconciliation starts with the net cost of operations as reported on the Statement of Net Cost, followed by adjustments by components of net cost that are not part of net outlays. Common components include depreciation and gains and losses on disposition of assets and changes in assets and liabilities (e.g., accounts receivable, accounts payable, and salaries and benefits) not affecting budget outlays.

Components of budget outlays that are not part of net operating cost also adjust the net cost of operations include acquisition of capital assets, inventory and other assets.

Other reconciling differences, when applicable, include timing differences (e.g., prior period adjustments due to correction of errors).

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Reconciliation of Net Cost of Operations to Net Outlays for the year ended September 30, 2020:

	Intra- governmental	With the Public	Total
Net Cost of Operations	\$ 24,476	\$ 447,263	\$ 471,739
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays:</b>			
Property, plant, and equipment depreciation		(32,347)	(32,347)
Other		(248)	(248)
<b>(Increase)/decrease in assets:</b>			
Accounts receivable	(7,748)	(311)	(8,059)
Other assets	(1,826)	(54)	(1,880)
Investments		(1,624)	(1,624)
<b>(Increase)/decrease in liabilities:</b>			
Accounts payable	(272)	(5,988)	(6,260)
Salaries and benefits	(541)	(3,991)	(4,532)
Environmental and disposal liabilities		(25)	(25)
Other liabilities	53	(3,457)	(3,404)
<b>Other financing sources:</b>			
Imputed federal employee retirement benefit costs	(19,986)		(19,986)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<b>(30,320)</b>	<b>(48,045)</b>	<b>(78,365)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost:</b>			
Acquisition of capital assets	1,939	15,230	17,169
Acquisition of inventory		433	433
Acquisition of other assets		8,496	8,496
Other	25	(16)	9
<b>Total Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>	<b>1,964</b>	<b>24,143</b>	<b>26,107</b>
Net Outlays (Calculated Total)	\$ (3,880)	\$ 423,361	\$ 419,481
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR 4190)			419,481
Distributed offsetting receipts (SBR 4200)			(3,228)
Outlays, Net (SBR 4210)			416,253

Reconciliation of Net Cost of Operations to Net Outlays for the year ended September 30, 2019:

	<u>Intra-</u> <u>governmental</u>	<u>With the</u> <u>Public</u>	<u>Total</u>
Net Cost of Operations	\$ (23,315)	\$ 438,461	\$ 415,146
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays:</b>			
Property, plant, and equipment depreciation		(34,071)	(34,071)
Other	-	(702)	(702)
<b>(Increase)/decrease in assets:</b>			
Accounts receivable	(614)	(102)	(716)
Other assets	1,160	(54)	1,106
Investments	-	1,009	1,009
<b>(Increase)/decrease in liabilities:</b>			
Accounts payable	101	(3,822)	(3,721)
Salaries and benefits	(173)	37	(136)
Environmental and disposal liabilities		(129)	(129)
Other liabilities	(43)	(826)	(869)
<b>Other financing sources:</b>			
Imputed federal employee retirement benefit costs	(24,037)		(24,037)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<b>(23,606)</b>	<b>(38,660)</b>	<b>(62,266)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost:</b>			
Acquisition of capital assets	824	6,461	7,285
Acquisition of inventory	-	682	682
Acquisition of other assets	-	6,060	6,060
Other	29	(23)	6
<b>Total Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>	<b>853</b>	<b>13,180</b>	<b>14,033</b>
Net Outlays (Calculated Total)	\$ (46,068)	\$ 412,981	\$ 366,913
<b>Related Amounts on the Statement of Budgetary Resources</b>			
Outlays, net (SBR 4190)			366,913
Distributed offsetting receipts (SBR 4200)			(4,999)
Outlays, Net (SBR 4210)			361,914

[Note 20 - Public-Private Partnership](#)

NARA owns and maintains real property assets, including nine Presidential Libraries. Joint Operating Agreements (JOA's) between NARA and both private foundations and universities own six Presidential Libraries. The primary purpose of the agreements is to establish, maintain, operate, and protect the Presidential Libraries and Museums as the Presidential archival depositories relating to the Presidency of Lyndon B. Johnson, Richard M. Nixon, Ronald Reagan, George H.W. Bush, William J. Clinton, and George

W. Bush in accordance with all applicable laws, regulations, rules, standards, and policies, including without limitation chapters 21, 22, and 23 of Title 44, U.S.C. The agreements provide that the parties may reimburse one another for covered outlays consistent with the operation and maintenance of the Presidential Library.

The agreements also outline the use of buildings, allocation of space, and the scope of responsibilities, such as repairs, maintenance, and utilities. In some cases, per 44 U.S.C. § 2112(g)(2), the Archivist has established in the National Archives Trust Fund ("Trust Fund") an endowment for the maintenance of the facility and equipment comprising the Library and Museum. NARA established endowments for the George H.W. Bush (\$4,477,233), William J. Clinton (\$7,200,000), and George W. Bush (\$9,763,162) Presidential Libraries.

Even though NARA has use of the buildings through public-private partnerships, NARA does not own them. All future capital expenditures for repair, maintenance, or replacement of the building(s) and other improvements are the sole responsibility of NARA. The risk of loss is in the tens of millions of dollars.

The current year NARA financial statements do not recognize any amounts as a result of the agreement between the parties. There were no significant instances of non-compliance with provisions governing the partnership. All agreements outlined below were in effect at the close of the fiscal year.

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Office	Agreement Date	End Date	Agreement
Johnson Library	8/10/1965	In perpetuity	Joint Operating Agreement (JOA) between U. of Texas and NARA, including amendments
Richard Nixon Library	7/10/2007	In perpetuity	Joint Use, Operating, and Transfer Agreement between the Richard Nixon Library and Birthplace Foundation and the National Archives and Records Administration regarding the Richard Nixon Presidential Library and Museum
Reagan Library	6/05/1991	In perpetuity	Joint Use, Operating and Management Agreement, The Ronald Reagan Presidential Libraries and the Center for Public Affairs
Bush Library	11/15/1997	In perpetuity	Joint Use Agreement between NARA, the Bush Presidential Library Foundation and the Board of Regents, Texas A&M University System
Clinton Library	11/18/2004	In perpetuity	Joint Use, Operating, and Transfer Agreement between the WJC Foundation and NARA regarding the WJC Library
GWBush Library	4/24/2013	In perpetuity	Joint Use, Operating, and Transfer Agreement between the GWB Foundation and NARA regarding the GWB Library

## Required Supplementary Information

### Deferred Maintenance and Repairs (DM&R)

NARA owns and maintains real property assets including the National Archives buildings at Washington, DC, College Park, MD, and Atlanta, GA, as well as the Presidential Libraries. All other NARA facilities are leased from GSA or the public. All NARA facilities support the agency’s mission to safeguard and preserve NARA’s heritage assets, the permanently-valuable records in its custody.

NARA uses the condition assessment method to determine the condition of its fixed assets, including stewardship PP&E facilities. NARA contracts with professional architectural firms to conduct condition assessment surveys, called Building Condition Reports (BCR). BCRs assess the condition of multiple building systems within each facility, including the structure, roof, exterior and interior finishes, HVAC (heating, ventilation, and air conditioning), electrical, plumbing, conveyance, and program support equipment. NARA conducts BCRs for NARA-owned buildings on a regular schedule: each building is assessed approximately every five years. Facility managers regularly assess critical needs between BCRs.

Deferred maintenance and repairs required to bring fixed assets to an acceptable condition, which were not scheduled or performed when needed, are included in the deferred maintenance estimate below.

<u>Category</u>	FY 2020 Beginning Balance	FY 2020 Ending Balance
Heritage assets	\$54 million	\$66 million
General PP&E (Multi-use)	\$11 million	\$10 million

NARA maintains and preserves all fixed property, plant, and equipment (PP&E) regardless of recorded values. Estimates of deferred maintenance and repairs cover all PP&E, whether capitalized, fully depreciated, or non-capitalized. At the end of FY 2020, current BCR reports identified necessary maintenance projects for seventeen locations, including thirteen of the fourteen Presidential Libraries. Increases to deferred maintenance estimates are the result from the progressing age of real property assets as well as inflation factors.

Due to the scope, nature and variety of the assets and the nature of the deferred maintenance, exact estimates are 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. Because the space where the records are preserved is critical to preventing deterioration of the records, NARA has implemented records storage standards to preserve the condition holdings in NARA's custody. The deferred costs to address deficiencies in compliance with storage standards are also included in the estimates.

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Schedule of Budgetary Resources by Major Budget Accounts

For the year ended September 30, 2020

	Archives and Records Management Activities	Gift Fund	Trust Fund	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
<b>Budgetary Resources</b>							
Unobligated balance brought forward, Oct 1	\$ 25,997	\$ 4,772	\$ 10,029	\$ 575	\$ 1,236	\$ 65,681	\$ 108,290
Appropriations (discretionary and mandatory)	371,923	3,271		6,500	7,499		389,193
Spending authority from offsetting collections	1,983		15,329			164,588	181,900
<b>Total Budgetary Resources</b>	<b>\$ 399,903</b>	<b>\$ 8,043</b>	<b>\$ 25,358</b>	<b>\$ 7,075</b>	<b>\$ 8,735</b>	<b>\$ 230,269</b>	<b>\$ 679,383</b>
<b>STATUS OF BUDGETARY RESOURCES:</b>							
Obligations Incurred	\$ 349,803	\$ 3,103	\$ 21,716	\$ 5,604	\$ 6,158	\$ 190,535	\$ 576,919
Unobligated balance, end of year:							
Apportioned	35,581	4,937	-	1,328	2,559	37,105	81,510
Exempt from apportionment			3,642				3,642
Unapportioned	14	3		143	18	2,629	2,807
Unexpired unobligated balance, end of year	\$ 35,595	\$ 4,940	\$ 3,642	\$ 1,471	\$ 2,577	\$ 39,734	\$ 87,959
Expired unobligated balance, end of year	14,505						14,505
Unobligated balance, end of year (total)	\$ 50,100	\$ 4,940	\$ 3,642	\$ 1,471	\$ 2,577	\$ 39,734	\$ 102,464
<b>Total budgetary resources</b>	<b>\$ 399,903</b>	<b>\$ 8,043</b>	<b>\$ 25,358</b>	<b>\$ 7,075</b>	<b>\$ 8,735</b>	<b>\$ 230,269</b>	<b>\$ 679,383</b>
Outlays, net (discretionary and mandatory)	\$ 364,366	\$ 4,027	\$ 401	\$ 5,743	\$ 4,936	\$ 40,008	\$ 419,481
Distributed offsetting receipts		(3,228)					(3,228)
Agency Outlays, net (discretionary and mandatory)	\$ 364,366	\$ 799	\$ 401	\$ 5,743	\$ 4,936	\$ 40,008	\$ 416,253

National Archives and Records Administration  
FY 2020 Agency Financial Report

Schedule of Budgetary Resources by Major Budget Accounts

For the year ended September 30, 2019

	Archives and Records Management Activities	Gift Fund	Trust Fund	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
<b>Budgetary Resources</b>							
Unobligated balance brought forward, Oct 1	\$ 26,468	\$ 3,540	\$ 6,165	\$ 1,785	\$ 322	\$ 78,890	\$ 117,170
Appropriations (discretionary and mandatory)	377,823	5,112	-	6,000	7,500	-	396,435
Spending authority from offsetting collections	2,766	-	14,615	-	-	175,740	193,121
<b>Total Budgetary Resources</b>	<b>\$ 407,057</b>	<b>\$ 8,652</b>	<b>\$ 20,780</b>	<b>\$ 7,785</b>	<b>\$ 7,822</b>	<b>\$ 254,630</b>	<b>\$ 706,726</b>
<b>RESOURCES:</b>							
Obligations Incurred	\$ 379,817	\$ 3,883	\$ 16,710	\$ 7,364	\$ 6,604	\$ 192,366	\$ 606,744
Unobligated balance, end of year:							
Apportioned	10,075	4,754	-	171	988	55,662	71,650
Exempt from apportionment	-	-	4,070	-	-	-	4,070
Unapportioned	22	15	-	250	230	6,602	7,119
Unexpired unobligated balance, end of year	\$ 10,097	\$ 4,769	\$ 4,070	\$ 421	\$ 1,218	\$ 62,264	\$ 82,839
Expired unobligated balance, end of year	17,143	-	-	-	-	-	17,143
Unobligated balance, end of year (total)	\$ 27,240	\$ 4,769	\$ 4,070	\$ 421	\$ 1,218	\$ 62,264	\$ 99,982
<b>Total budgetary resources</b>	<b>\$ 407,057</b>	<b>\$ 8,652</b>	<b>\$ 20,780</b>	<b>\$ 7,785</b>	<b>\$ 7,822</b>	<b>\$ 254,630</b>	<b>\$ 706,726</b>
Outlays, net (discretionary and mandatory)	\$ 347,693	\$ 3,374	\$ 1,378	\$ 5,010	\$ 8,499	\$ 959	\$ 366,913
Distributed offsetting receipts	-	(4,999)	-	-	-	-	(4,999)
Agency Outlays, net (discretionary and mandatory)	\$ 347,693	\$ (1,625)	\$ 1,378	\$ 5,010	\$ 8,499	\$ 959	\$ 361,914

## Independent Auditors' Reports



November 16, 2020

TO: David S. Ferriero  
Archivist of the United States

FROM: James Springs *James Springs*  
Inspector General

SUBJECT: *Audit of National Archives and Records Administration's Fiscal Year 2020  
Financial Statements*  
Audit Report No. 21-AUD-03

We contracted with the independent certified public accounting firm of CliftonLarsonAllen, LLP (CLA) to audit the financial statements of the National Archives and Records Administration (NARA) as of and for the fiscal years ended September 30, 2020 and 2019. The report should be read in conjunction with NARA's financial statements and notes to fully understand the context of the information contained therein.

In connection with the contract, we reviewed CLA's report and related documentation and inquired of its representatives. CLA is responsible for the attached auditor's report dated November 10, 2020 and the conclusions expressed in the report.

The contract required the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. We do not express an opinion on NARA's financial statements or conclusions about the effectiveness of internal control over financial reporting or compliance with laws and regulations.

### Results of the Independent Audit

CLA issued an unmodified opinion on NARA's fiscal years 2020 and 2019 financial statements. CLA found:

- NARA's financial statements as of and for the fiscal years September 30, 2020 and 2019 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- No material weaknesses, but two significant deficiencies for FY 2020 in internal control over financial reporting based on limited procedures performed; and
- Two instances of reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts and grant agreements tested and other matters.

The report contains seventeen recommendations to improve NARA's internal control over financial reporting, including significant deficiencies in information technology controls and timely resolution of error, and noncompliance with laws and regulations. Your office concurred with all of the recommendations. Based on your November 13, 2020 response to the formal draft report, we consider all the recommendations open. Please submit an action plan for each recommendation by December 15, 2020. Once your office has fully implemented the recommendations, please submit evidence of completion of agreed upon corrective actions so that recommendations may then be closed.

As with all OIG products, we determine what information is publicly posted on our website from the attached report. Consistent with our responsibility under the *Inspector General Act, as amended*, we will provide copies of our report to congressional committees with oversight responsibility over NARA.

We appreciate the cooperation and assistance NARA extended to CLA and my staff during the audit. Please contact me or Jewel Butler, Assistant Inspector General of Audits, with any questions.

Attachment

cc: Debra Wall, Deputy Archivist of the United States  
William Bosanko, Chief Operating Officer  
Micah Cheatham, Chief of Management and Administration  
Colleen Murphy, Chief Financial Officer and Senior Accountable Official  
Swarnali Haldar, Chief Information Officer  
Kimm Richards, Accountability  
United States House Committee on Oversight and Government Reform  
Senate Homeland Security and Governmental Affairs Committee



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

To: Inspector General  
National Archives and Records Administration  
  
Archivist of the United States  
National Archives and Records Administration

In our audits of the fiscal years (FYs) 2020 and 2019 financial statements of the National Archives and Records Administration (NARA), we found:

- NARA's financial statements as of and for the FYs ended September 30, 2020 and 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- No material weakness, but two significant deficiencies for FY 2020 in internal control over financial reporting based on the limited procedures we performed<sup>1</sup>; and
- Two instances of reportable noncompliance for FY 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and other matters.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)<sup>2</sup>, and other information (OI)<sup>3</sup> included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grants agreements; and (4) NARA's response to our findings and recommendations.

### Report on the financial statements

In accordance with our contract with NARA's Office of Inspector General, we have audited NARA's financial statements 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; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). NARA's financial statements comprise the balance sheets as of September 30, 2020 and 2019; the related statements of net cost, changes in net position, and budgetary resources for the FYs ended; and the related notes to the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

<sup>1</sup>A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

<sup>2</sup>The RSI consists of Management's Discussion and Analysis (MD&A), Deferred Maintenance and Repairs, and the Schedule of Budgetary Resources by Major Budget Accounts, which are included with the financial statements.

<sup>3</sup>Other Information consists of information included with the financial statements, other than RSI and the independent auditors' report.



#### Management's Responsibility

NARA's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. *Government Auditing Standards* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and OI included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

#### Opinion on Financial Statements

In our opinion, NARA's financial statements present fairly, in all material respects, NARA's financial position as of September 30, 2020, and 2019, and its net cost, changes in net position, and budgetary resources for the FYs then ended in accordance with U.S. generally accepted accounting principles.

#### Other Matters

1. In July 2020, the GAO issued a Comptroller General decision opining that NARA violated the Antideficiency Act during the FY 2019 Lapse in Appropriations when it incurred obligations in publication of the Federal Register. NARA has indicated that they disagree with the GAO ruling and is in consultation with OMB on their draft letter to GAO responding to their ruling. As of this report date, the letter has not been sent to GAO. Our opinion is not modified with respect to this matter.

2. Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the

financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

3. Other Information

NARA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on NARA's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

**Report on Internal Control over Financial Reporting**

In connection with our audits of NARA's financial statements, we considered NARA's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to NARA's internal control over financial reporting in accordance with *Government Auditing Standards*.

Management's Responsibility

NARA's management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of NARA's financial statements as of and for the year ended September 30, 2020, in accordance with *Government Auditing Standards*, we considered NARA's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NARA's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on NARA's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of NARA's internal control over financial reporting. Given these limitations, material weaknesses and/or significant deficiencies may exist that have not been identified. However, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify, however, two deficiencies in internal control over financial reporting that we consider to be significant deficiencies, described below and in Exhibit A.

Longstanding Control Deficiency in Information Technology Controls

While NARA was able to remediate one prior year finding related to IT general controls, NARA did not substantially address deficiencies in its IT general control categories of security management, access controls, and configuration management that have existed since FY 2008. These longstanding unresolved deficiencies impact the effectiveness of NARA's information technology security program and internal controls over financial reporting.

Inadequate Internal Control over Timely Resolution of Error

NARA's monitoring controls over its service provider, Treasury's Administrative Resource Center (ARC), processes was inadequate to provide timely feedback to ensure that errors are adequately and appropriately resolved by NARA and ARC.

During our 2020 audit, we identified additional deficiencies in NARA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant NARA management's attention. We have communicated these matters to NARA management and, where appropriate, will report on them separately.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of NARA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of NARA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

### **Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters**

In connection with our audits of NARA's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards*.

#### Management's Responsibility

NARA's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to NARA.

#### Auditors' Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to NARA that have a direct effect on the determination of material amounts and disclosures in NARA's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to NARA.

#### Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance for FY 2020, summarized below and described in Exhibit B, which would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to NARA. Accordingly, we do not express such an opinion.

##### Accountability of Tax Dollars Act (ATDA)

NARA was not compliant with the ATDA when it did not submit its FY 2019 audited financial statements to the Congress and the Director of OMB.

##### Antideficiency Act Violation (ADA) Reporting

NARA has not reported an ADA violation that occurred in FY 2019 to Congress, the President, and the Comptroller General of the Government Accountability Office as required by 31 U.S.C. 1351, 1517(b) and OMB Circular A-11, section 145.

#### Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

#### **NARA's Response to Audit Findings and Recommendations**

NARA's response to the findings and recommendation identified in our report is described in Exhibit C. NARA's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

**Status of Prior Year's Control Deficiencies and Noncompliance Issues**

We have reviewed the status of NARA's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated November 11, 2019 and January 8, 2020. The status of prior year findings is presented in Exhibit D.

**CliftonLarsonAllen LLP**



Arlington, Virginia  
November 10, 2020

**EXHIBIT A**  
**Significant Deficiency**  
**FY 2020**

**I. Longstanding Control Deficiency in Information Technology  
Controls (Modified Repeat Finding)**

NARA relies extensively on information technology (IT) systems to accomplish its mission and in the preparation of its financial statements. Internal controls over these financial and supporting operations are essential to ensure the confidentiality, integrity and availability of critical data while reducing the risk of errors, fraud, and other illegal acts. NARA staff use IT system controls to initiate and authorize financial transactions at user workstations, which transmit those transactions across the network to servers that record, process, summarize, and report financial transactions in support of the financial statements.

While NARA was able to remediate one prior year finding related to IT general controls (see Exhibit C), NARA did not substantially address deficiencies in its IT general control categories of security management, access controls, and configuration management that have existed since FY 2008. These longstanding unresolved deficiencies impact the effectiveness of NARA's information technology security program and internal controls over financial reporting.

A summary of key findings related to the NARA Network (NARANet), Records Center Processing Billing System (RCPBS), and Order Fulfillment and Accounting System (OFAS) are categorized and listed by general control category as follows:

Access Controls – We found prior year weaknesses related to inactive user accounts remained unresolved. In addition, during FY 2020, access request documentation and evidence that exit clearance procedures were followed, were not available. Also, although annual account review processes were initiated for one system, it was not completed within 12 months of the previous review or before the end of FY 2020. Establishing access controls ensure user accounts are effectively managed.

Security Management – We found weaknesses related to plan of action and milestones (POA&Ms) management. Specifically, we noted a) a missed milestone date for one open POA&M; b) risks identified within security assessment reports and risk assessment reports were not always created into POA&Ms; and c) closed POA&Ms with either inadequate or missing evidence or approvals. In addition, we noted missing control implementation details within system security plans. Security management controls provide the framework for the continual assessment of risk, development of security procedures and monitoring the implementation effectiveness of those procedures.

Configuration Management – We found that while there were improvements in this area compared to FY 2019, configuration management weaknesses associated with vulnerability and patch management continue to exist. Specifically, we found prior year unresolved weaknesses related to the detection, remediation, and monitoring of high and critical risk vulnerabilities for software patches and updates, publicly known since 2019 or earlier. In addition, we found high and critical risk system configuration weaknesses which existed on NARA systems, publicly known from 2019 and earlier. Furthermore, documentation in support of system changes as evidence of the initial request, associated approvals, or testing, was not provided. Absent an effectively implemented and enforced configuration management program that addresses significant security

weaknesses, there is an increased risk that financial information may be inadvertently or deliberately disclosed, manipulated, or misappropriated.

The IT control deficiencies resulted from inadequate data migration efforts, an ineffective patch and vulnerability management program, reliance upon manual versus automated controls, as well as inadequate oversight by NARA management.

Our testing was based on the following key criteria:

- National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*:
  - AC-2 Account Management  
The organization creates, modifies, disables and removes information system accounts in accordance with [Assignment: organization-defined procedures or conditions].
  - SI-2 Flaw Remediation  
The organization identifies information systems affected by announced software flaws including potential vulnerabilities resulting from those flaws, and report this information to designated organizational personnel with information security responsibilities. Security-relevant software updates include, for example, patches, service packs, hot fixes, and anti-virus signatures.
  - SA-22 Unsupported System Components  
The organization replaces information system components when support for the components is no longer available from the developer, vendor, or manufacturer.
  - CA-5 Plans of Action and Milestones  
The organization develops a plan of action and milestones for the information system to document the organization's planned remedial actions to correct weaknesses or deficiencies noted during the assessment of the security controls and to reduce or eliminate known vulnerabilities in the system; and updates existing plan of action and milestones [Assignment: organization-defined frequency] based on the findings from security controls assessments, security impact analyses, and continuous monitoring activities.
  - PL-2 System Security Plans  
The organization develop a security plan that describes the security controls in place or planned for meeting those requirements including a rationale for the tailoring and supplementation decisions.
- OMB Memorandum A-130, Appendix I, *Responsibilities for Protecting and Managing Federal Information Resources*
  - Establishes minimum requirements for Federal Information Programs and assigned Federal agency responsibilities for the security of information and information systems. The Circular specifically prohibits agencies from the use of unsupported information systems and system components, and requires agencies to ensure that systems and components that cannot be appropriately protected or secured are given high priority for upgrade or replacement. In addition, the Circular requires agencies to implement and maintain current updates and patches for all software and firmware components of information systems. Additionally, the Circular requires system security plans to be consistent with guidance issued by NIST.

These weaknesses could be potentially exploited, intentionally or unintentionally, to undermine the integrity and completeness of data processed by NARA's financial management systems, including its feeder systems.

**Recommendations:**

We recommend that the NARA Chief Information Officer continue to analyze and prioritize remediation efforts to accomplish security and control objectives. Key tasks should include, but are not limited to:

1. Ensure NARANet user accounts are reviewed and disabled in accordance with NARA's information technology policies and requirements (repeat recommendation).
2. Coordinate with other departments as necessary, to implement an authoritative data source which provides the current status of NARA contractors and volunteers at the enterprise level. (repeat recommendation).
3. Ensure system access requests are completed and retained for the duration of a users' system access (new recommendation).
4. Ensure the completion and retention of exit clearance forms and requests for all separated employees, in accordance with NARA's record retention requirements (new recommendation).
5. Ensure account reviews are completed in accordance with Access Control IT Methodology requirements (new recommendation).
6. Ensure plan of action and milestones for the NARANet and OFAS systems are created, updated and remediated, for each system, in accordance with NARA policies, guidance and directives, to include enhanced POA&M closure procedures (modified repeat recommendation).
7. Develop oversight mechanisms to ensure system security plans reflect current operational environments, include an accurate status of the implementation of system security controls, and all applicable security controls are properly evaluated prior to including in the plan (new recommendation).
8. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks (repeat recommendation).
9. Implement remediation efforts to address security deficiencies on affected systems identified, to include enhancing its patch and vulnerability management program as appropriate, or document acceptance of the associated risks (repeat recommendation).
10. Fully complete the migration of applications to vendor supported operating systems (repeat recommendation).
11. Ensure that records of configuration-controlled changes are retained within those systems (e.g. Remedy/ServiceNow) which retain those records, in accordance with the NARA records schedule (new recommendation).

## II. Inadequate Internal Control over Timely Resolution of Error (Modified Repeat Finding)

In accordance with OMB A-11, Section 150, federal agencies are required to have a funds control system in place in order to ensure that federal funds are obligated and expended in accordance with appropriations law and to adhere to the requirements within the Antideficiency Act.

Also, per GAO *Standards for Internal Control in the Federal Government* (Green Book), Section 4, OV4.01 – “Management may engage external parties to perform certain operation processes for the entity, such as accounting and payroll processing...these external parties are referred to as service organizations. Management, however, retains responsibility for the performance of processes assigned to service organizations. Therefore, management needs to understand the controls each service organization has designed, has implemented, and operates for the assigned operational process and how the service organization’s internal control system impacts the entity’s internal control system.”

Principle 16.08 of the Green Book also states that “Management retains responsibility for monitoring the effectiveness of internal control over the assigned processes performed by service organizations. Management uses ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization’s internal controls over the assigned process.”

NARA contracts with Treasury’s Administrative Resource Center (ARC) to provide financial management services. NARA uses the PRISM system to record and track contracts and obligations. PRISM interfaces with ARC’s Oracle U.S. Federal Financials software (Oracle) as source system for budgetary related accounting transactions.

In FY 2019, we reported that NARA violated ADA by incurring obligations in excess of available appropriation. The error, detected during the 4<sup>th</sup> quarter Data Act reconciliation review, was caused by an issue between the PRISM and Oracle interface that was known to ARC. NARA’s monitoring controls over ARC processes was inadequate to provide timely feedback to ensure that errors are adequately and appropriately resolved by NARA and ARC.

Subsequently, NARA’s Office of Inspector General conducted a review and issued a report dated October 13, 2020 with a subject of “*Review of NARA’s Actions Resulting in the FY 2019 Antideficiency Act Violation.*” The OIG report evaluated NARA’s internal and management controls over the processes used, and NARA’s guidance related to obligations. In its report, OIG found that:

1. The Offices of the Chief Financial Officer (CFO) and Chief Acquisition Officer (CAO) relied on ARC’s system interfaces;
2. ARC did not adhere to its own oversight controls;
3. The CAO did not use appropriate cost allocations for Contract Line Item Numbers (CLIN) and, when the error was detected, the Contracting Officer did not require a new Purchase Request (PR) to correct the allocation; and
4. Interim Guidance 400-8, *Quarterly Reconciliation of Open Items for all NARA Funds*, does not require program offices to review open obligations for completeness.

### Recommendations:

We recommend that NARA management implement the recommendations in OIG’s report as follows:

12. The Office of the Chief Acquisition Officer ensures Contracting Officers understand their responsibility to use appropriate cost allocations for each contract line (new recommendation).
13. The Chief Financial Officer update Interim Guidance 400-8, *Quarterly Reconciliation of Open Items for all NARA Funds*, to include a review of open obligations for completeness. There should be steps for contracting officer representatives and program office management to take if they detect an obligation is not complete, including how to bring any errors to the attention of the Office of the Chief Financial Officer (new recommendation).
14. The Chief Financial Officer and Chief Acquisition Officer ensure monthly DATA Act differences are adequately researched and corrected in a timely manner (modified repeat recommendation).
15. The Chief Financial Officer and Chief Acquisition Officer establish procedures for timely escalation of know errors (modified repeat recommendation)

**EXHIBIT B**  
**Noncompliance with Laws and Regulations**  
**FY 2020**

**1. ADA Violation (Modified Repeat Finding)**

NARA's general counsel concluded in a letter dated December 5, 2019, that NARA violated the ADA. See detailed description of the violation in Exhibit A on inadequate internal control over timely resolution of error. As of the date of this audit report, NARA has not reported the ADA violation to Congress, the President, and the Comptroller General of the GAO in accordance with 31 U.S.C. Section 1351,1517(b) and OMB Circular A-11, Section 145.

**Recommendation:**

16. We recommend that NARA Chief Financial Officer report the ADA violation in accordance with 31 U.S.C. Section 1351,1517(b) and OMB Circular A-11, Section 145.

**2. Violation of the Accountability for Tax Dollars Act (ATDA)**

NARA has not submitted to Congress and OMB (and others in the distribution list in OMB Circular A-136), nor published in its website its FY 2019 annual financial report (AFR), which is not in compliance with the ATDA requirements, and U.S.C Title 35, Section 3515.

Title 31, Section 3515 of the U.S. Code, Financial statements of agencies (as amended by ATDA), (a)(1) states that "Except as provided in subsection (e), not later than March 1 of 2003 and each year thereafter, the head of each covered executive agency shall prepare and submit to the Congress and the Director of the Office of Management and Budget an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the agency."

OMB Circular A-136, *Financial Reporting Requirements*, Section I.5, states that for FY 2019, final AFRs are due to OMB, Treasury, GAO, and the Congress, by 6 p.m. EST on November 19, 2019. The final reports should be posted to the agencies' website the same day the report is submitted to OMB, GAO, and the Congress. The 508-compliant version of the final report can be posted to its website not later than 15 calendar days after issuance. The final report's website location must be clearly identified on the agency's homepage.

**Recommendation:**

17. We recommend that NARA Chief Financial Officer comply with ATDA and OMB A-136, Section I.5, by submitting its FY 2019 AFR to OMB, Treasury, GAO, and Congress, and update the Agency Head Letter; the CFO Letter, or another transmittal letter, explaining the reason for not being able to comply with the posting and submission deadline in FY 2019.

**EXHIBIT C**  
**NARA's Response to our Findings and Recommendations**  
**FY 2020**



**Date:** November 13, 2020  
**To:** James Springs  
Inspector General  
**From:** David S. Ferriero  
Archivist of the United States  
**Subject:** Management Response to the FY2020 Financial Statement Audit

Thank you for the opportunity to review your *Independent Auditor's Report* on the financial statement audit of the National Archives and Records Administration for the fiscal year ending September 30, 2020.

I am pleased to have received an unmodified or "clean" independent audit opinion on our financial statements. An unmodified opinion recognizes NARA's commitment to producing accurate and reliable financial statements and supports our efforts to continuously improve our financial management program.

NARA acknowledges the Information Technology challenges and the need to improve controls over NARA's financial management shared services provider to ensure the detection and correction of errors. NARA concurs with the recommendations in the report. I appreciate the work performed by the auditor in this area and will ensure the auditor's findings and recommendation are incorporated into NARA's action plan.

I would like to thank the Office of Inspector General and CliftonLarsonAllen LLP for their cooperative and professional approach in the conduct of this audit.

Sincerely,



DAVID S. FERRIERO  
Archivist of the United States

**EXHIBIT D**  
**Status of Prior Years' Recommendations**  
**FY 2020**

Our assessment of the current status of the recommendations related to findings identified in the prior year audit is presented below:

<i>FY 2019 Recommendation (Report on Internal Control)</i>	<i>Type</i>	<i>Fiscal Year 2020 Status</i>
We recommend that the NARA Chief Information Officer continue to analyze and prioritize remediation efforts to accomplish security and control objectives. Key tasks should include, but are not limited to:		
1. Ensure NARANet user accounts are reviewed and disabled in accordance with NARA's information technology policies and requirements.	Significant Deficiency (SD)	Open; see 2020 SD recommendation "I.1."
2. Coordinate with other departments as necessary, to implement an authoritative data source which provides the current status of NARA contractors and volunteers at the enterprise level.	SD	Open; see 2020 SD recommendation "I.2"
3. Ensure plan of action and milestones for the NARANet and OFAS systems are created, updated and remediated, for each system, in accordance with NARA policies, guidance and directives.	SD	Open; see 2020 SD recommendation "I.6"
4. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks.	SD	Open; see 2020 SD recommendation "I.8"
5. Implement remediation efforts to address security deficiencies on affected systems identified, to include enhancing its patch and vulnerability management program as appropriate, or document acceptance of the associated risks.	SD	Open; see 2020 SD recommendation "I.9"
6. Fully complete the migration of applications to vendor supported operating systems.	SD	Open; see 2020 SD recommendation "I.10"
7. Perform a review and update (if needed) of the NARA Information Technology and telecommunications Support Services (NITTSS) Change Management Plan.	SD	Closed

<i>FY 2019 Recommendation (Report on Internal Control)</i>	<i>Type</i>	<i>Fiscal Year 2020 Status</i>
8. Verify that ARC implemented the appropriate corrective actions to ensure that future errors are mitigated.	SD	Closed
9. Implement monitoring procedures over ARC processes to ensure potential and actual errors are internally reviewed, mitigated, and corrected on a timely basis.	SD	Open - Modified Repeat; see 2020 SD recommendations 14 and 15"
<i>FY 2019 Recommendation (Report on Compliance)</i>	<i>Type</i>	<i>Fiscal Year 2020 Status</i>
1. Correct the funding deficiency for the contract in question.	Non-compliance	Closed
2. Report the Antideficiency Act violation in accordance with Title 31, Section 1351 of the U.S. Code and OMB guidance.	Non-compliance	Open; see 2020 non-compliance recommendation 1



## OTHER INFORMATION

This section provides additional information regarding NARA’s financial and program management. It includes the “Top Ten Management Challenges” report prepared by the Office of Inspector General.

The Summary of Financial Statement Audit and Management Assurances lists each material weakness and non-conformance found or resolved.

Lastly, this section reports the agency’s compliance with the Improper Payments Information Act of 2019, and NARA’s Fraud Report.

## **Inspector General’s Assessment of Management Challenges Facing NARA**

Each year, Federal Inspectors General are required to identify and report on the top challenges facing their respective agencies. We focus our efforts on areas we believe represent the agency’s most significant challenges. The following are NARA’s most significant management and performance challenges based on legislative mandates, our experience, and observations from our oversight work.

### **1. Electronic Records Archives**

Electronic records are the future of government archiving, and the vast volumes of electronic records that will need to be preserved are simply staggering. NARA’s plan to tackle this mission critical issue is the Electronic Records Archives (ERA) system. Initially billed as a solution for storing files in any format for indefinite future access, the program has been fraught with delays, cost overruns, funding shortfalls, and technical short-comings virtually since inception. As a result, many core requirements from initial plans have never been addressed, and the ERA lacks the capabilities originally envisioned. ERA faces many challenges going forward, including the predicted massive growth in the amount and diversity of digital materials NARA will have to preserve. This is coming at the same time stakeholders expect expanded capabilities, such as online access and searching, that drive openness and cultivate public participation.

ERA is a “system of systems,” and NARA has realized the original ERA Base System is not capable of meeting the nation’s needs. Thus NARA is now developing ERA 2.0, with an estimated lifecycle cost of \$86 million. However, the ERA 2.0 timeline continues to slip, and a version for classified records is not expected until at least FY 2024. Some components of ERA 2.0 have been put into production and are used by a number of NARA custodial staff who work with digital materials. However, until ERA 2.0’s functionality is built and put into full production, the current ERA’s longstanding deficiencies may continue to impact NARA.

### **2. Improving Records Management**

While the ERA system is intended to handle electronic records received by NARA, the agency needs to ensure the proper electronic and traditional records are in fact preserved and sent to NARA government-wide. NARA must work with Federal agencies to ensure proper appraisal, scheduling, and transfer of permanent records in all formats. The major challenge is how best to accomplish this in a rapidly changing technological environment.

The Office of Management and Budget (OMB) M-19-21, Transition to Electronic Records, establishes new goals for electronic recordkeeping to support government-wide efforts to transition to a fully electronic (paperless) Government. M-19-21 directs agencies to manage all of their permanent records in electronic format by December 31, 2022. Agencies are also required to:

- convert all temporary records to electronic format or store them in commercial storage facilities after December 31, 2022,
- continue to manage email records in electronic format and continue efforts to manage permanent electronic records electronically by December 31, 2019 (both of these goals were established in 2012),
- manage all permanent records electronically and with appropriate metadata – that meets NARA standards – by 2022, and
- either stop producing temporary records in analog formats by 2022 or prepare to store future temporary records in commercial facilities.

M-19-21 also directs agencies who operate their own records storage facilities to transfer their records to the Federal Records Centers Program or a commercial storage facility and close their agency-owned facilities by December 31, 2022. Beginning January 1, 2023 all legal transfers of permanent records must be electronic and records in analog formats must be digitized before transfer to NARA.

NARA and the rest of the government is challenged with meeting these deadlines while determining how best to manage electronic records and make e-Government work more effectively.

### **3. Information Technology (IT) Security**

NARA's challenges in IT Security continue to mount against the agency's goals to accomplish its mission as the nation's record keeper. Over the past decade, annual Federal Information Security Modernization Act (FISMA) audits or assessments have consistently identified areas in need of significant improvement. NARA labeled IT Security a "material weakness" under the Federal Managers' Financial Integrity Act (FMFIA) from 2007 to 2019 with exceptions in 2013 and 2014, when it was considered a "reportable issue." In FY20, NARA again labeled IT Security a "material weakness". While management has developed an action plan to resolve identified control deficiencies, NARA does not expect to fully implement it until FY 2023.

Many of NARA's issues stem from control weaknesses which contribute to underdeveloped or ineffectively implemented policies and procedures. A lack of adequate security planning and oversight for NARA's high value assets and classified systems puts the agency's mission and the national security information in its custody

at risk. Adding to the challenge, the CIO does not report directly to the agency head. These conditions cause current security and performance problems, and inhibit NARA from effectively establishing a strategy for the next generation of NARA's network.

While NARA has introduced initiatives to promote a mature program, real progress will not be made until NARA establishes an effective system of internal control for information security. NARA's mission relies on the confidentiality, integrity, and availability of their electronic records and IT systems. NARA must ensure the security of its data and systems or risk undermining the agency's credibility and ability to carry out its mission.

#### **4. Expanding Public Access to Records**

Records that cannot be accessed have little use, and the public expects more and more records to be online. NARA's strategic goal to "Make Access Happen" affirms public access as NARA's core purpose, and NARA has committed to digitize the nation's archives and make them available online. This goal is a massive undertaking involving billions of pages, films and photographic media, and other records. However, NARA's historic digitization approaches were not large enough to make significant progress. For example, poor planning and system limitations kept millions of records digitized by NARA partners from being made accessible to the public in an efficient and timely manner. NARA must ensure the appropriate management, controls, and resources are in place to successfully implement an effective digitization strategy and expand public access to records.

At a basic level, in order to "Make Access Happen" NARA must gain physical and intellectual control over its holdings. That is, NARA must physically control the records and know what they are. This initial step is referred to as archival processing. However, more than 18 percent of NARA's analog holdings (by series) have not been processed, so the public does not have efficient and effective access to them. Thus, the agency has begun an initiative to accelerate archival processing to increase the records available for research. To meet its mission, NARA must work to ensure it has the processes and resources necessary to establish intellectual control over this backlog of unprocessed records. This work includes standardizing processing procedures across the agency, strengthening internal controls, and monitoring performance.

#### **5. Meeting Storage Needs of Growing Quantities of Records**

NARA is running out of room and is challenged with acquiring sufficient archival space to store its current volume of textual records. Even with the rise of electronic records

and the requirements of Office of Management and Budget (OMB) M-19-21, Transition to Electronic Records, there are still decades worth of paper records still scheduled to come to NARA. Currently space limitations affect NARA's accessioning, processing, preservation, and other internal efforts. By law, the Archivist is responsible for the custody, control, operation, and protection of NARA's buildings used for the storage of Federal records. NARA regulations require these facilities to meet certain physical and environmental requirements. Without additional space, NARA may have to temporarily or permanently house historical records in space not meeting its own storage requirements. The challenge is to ensure NARA's and other agencies' facilities comply with NARA regulations or to effectively mitigate risks to records stored in sub-standard facilities.

Additionally, the agency is also challenged to meet data storage requirements for electronic records. NARA's in-house data storage is reaching capacity, impacting the agency's digitization efforts and other IT programs. Increasing amounts of electronic data storage are necessary for NARA to meet its mission. Without adequate storage, NARA cannot continue accepting, storing, and processing electronic records or make them available to the public. NARA is challenged to develop an enduring enterprise-wide data storage management solution appropriate for handling the nation's history while complying with OMB's Federal Data Center Consolidation Initiative, which focuses on reducing the energy and real estate footprint.

## **6. Preservation Needs of Records**

Every day NARA's holdings age and slowly degrade. This is true for all records, not just paper, as time affects the physical media that electronic and audiovisual records are stored on as well. Further, as computer programs become obsolete, the records stored in those formats may become impossible to use. Preserving records is a fundamental element of NARA's duties to the public, as NARA cannot provide access to records unless it can preserve them for as long as needed. NARA's Preservation Strategy (2019–2022) emerged from the findings of an FY 2018 Preservation Programs internal review. The aim of the review was to critically evaluate preservation needs across NARA with a view to recommending how Preservation Programs can meet the challenges facing NARA now and in the future. The review identified many issues that needed consideration, including: supporting the delivery of increasing volumes of electronic records to the American public online (NARA's Strategic Goal 1); mitigating climate instability, which will require reassessing how NARA preserves its holdings; and working with fixed or reduced resources. Without action, pieces of the unique history of America may be lost.

## **7. Improving Project and Contract Management**

NARA faces significant challenges concerning project and contract management. For example, there have been cost and schedule overruns, contract requirements are not always well defined, large dollar IT contracts have lacked adequate oversight, contractor performance is not consistently evaluated and reported, and IT projects are not always carried out in accordance with guidelines. This affects whether or not NARA obtains the right goods and services, on schedule and at the right price. NARA is challenged with ensuring that the role of the acquisition function aligns with NARA's mission and needs. A significant part of this challenge is NARA's acquisition workforce. Strengthening the acquisition workforce is essential to improving contractor management and oversight. However, NARA does not effectively identify and track the agency's acquisition workforce, or coordinate with program areas when designating Contracting Officer Representatives (CORs). This has led to NARA appointing CORs who may lack proper federal acquisition certifications, to oversee complex, mission critical contracts. Moreover, NARA is challenged to strengthen internal controls over acquisition functions and provide better oversight and management of its procurement activities to ensure it effectively and efficiently adheres to Federal and internal guidance.

## **8. Physical and Holdings Security**

People continue to steal documents and artifacts from NARA for their monetary and historical value. Further, the priceless history represented in these records are threatened by fire and other man-made and natural disasters. Yet the threats do not stop there as NARA holds troves of national security information as well. NARA must ensure the safety and security of people and records in their facilities. NARA's security posture has improved with the implementation of the Holdings Protection Team and stricter access controls; however, more work is needed in this area. NARA's challenge is to maintain an effective Holdings Protection and Recovery Program in an environment where risk responses are continuously evolving amid emerging threats.

## **9. Human Resources Management**

NARA's employees are the backbone of the agency, and one of NARA's strategic goals is to "build our future through our people." In May 2019, NARA completed the migration of staffing, classification, employee benefits, and workers' compensation functions to the Department of Treasury, Bureau of the Fiscal Service, Administrative Resource Center (ARC). In May 2020 ARC started providing labor relations and employee relations services for NARA managers, supervisors, and employees. NARA is challenged to correct past deficiencies in Human Capital practices, including Human Resources data and electronic Official Personnel Folders (eOPF), to enable support of

NARA's mission. NARA's ability to attract, recruit, and retain employees is critical to many of the other top management challenges, but NARA continues to lack adequate policies and procedures making it difficult to manage human capital effectively and efficiently.

## **10. Enterprise Risk Management**

OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control is designed to ensure Federal managers effectively manage risks. It does this by implementing Enterprise Risk Management (ERM) practices and internal controls. An effective ERM approach:

- creates and protects value;
- is an integral part of organizational processes and decision making;
- is dynamic, iterative, and responsive to change; and
- facilitates continual improvement of the organization.

However, NARA management has not made ERM a strategic priority and has yet to implement an ERM program that clearly identifies, prioritizes, and manages risks. As a result, management's internal control activities and assurance statements continue to be based on work at the individual function, program, and office level. Without an effective ERM process in place that clearly identifies, categorizes, and assesses the effectiveness of controls related to key risks, the Archivist's annual assurance statement to the President and Congress might not clearly reflect NARA's current internal control environment, including risks. NARA's challenge is to ensure the agency complies with the requirements of OMB Circular A-123, and develop and fully implement an ERM approach to effectively identify, manage, and mitigate critical agency risks.

## Summary of Financial Statement Audit and Management Assurances

### Summary of the Financial Statement Audit:

Audit Opinion	Unqualified				
Restatement	No				
	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

### Summary of Management Assurances:

#### Effectiveness of Internal Control over Financial Reporting (FMFIA S2):

Statement of Assurance	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

#### Effectiveness of Internal control over Operations (FMFIA S2):

Statement of Assurance	Modified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security	1	0	0	0	0	1
Human Capital	1	0	0	0	0	1
Total Material Weaknesses	2	0	0	0	0	2

#### Conformance with Financial Management System Requirements (FMFIA S4):

Statement of Assurance	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

## Improper Payments Information Act Reporting Details

NARA complies with the Improper Payments Information Act of 2019 (Pub. L. No. 116-117, 31 U.S.C., 3352 and 3357), the Office of Management and Budget (OMB) Memorandum M-18-20, OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement, and OMB Circular A-136, dated August 27, 2020, section 11.4.5, Payment Integrity.

To ensure compliance, NARA performs the following:

- Reviews all programs and activities annually and determines if the statutory threshold for significant improper payments is met;
- Conducts risk assessments every 3 years for all programs and activities;
- Conducts payment recovery audit cost benefit analysis when necessary. NARA has determined that payment recovery audits are not cost effective for the Agency. Per OMB, NARA only needs to conduct an analysis and notify OMB and OIG when there has been a significant change in program activity or improper payments.

In FY 2020, NARA reviewed their program outlays, improper payment amounts and conducted risk assessments for the following programs: Administrative Overhead, Center for Legislative Archives and the Office of Presidential Materials, Research Services, Agency Services, Repairs and Restoration, National Historical Publications and Records Commission (Grants) and Office of Inspector General to determine whether they were susceptible to significant improper payments. NARA did not meet the statutory thresholds for significant improper payments and all of NARA's programs were determined to be low risk.

Per the annual OMB payment integrity data call, NARA reported their FY 2020 improper payments, \$66,631 and additional improper payment information on the following website: <https://paymentaccuracy.gov/>

### Actions Taken to Address Auditor Recovery Recommendations

Given NARA's historically low improper payments and low risk programs, it was determined that payment recapture audits are not cost effective. Therefore, NARA did not receive any auditor recovery recommendations in FY 2020.

## Fraud Reduction Report

NARA's fraud reduction efforts are consistent with guidance contained in P.L. 114-186, the Fraud Reduction and Data Analytics Act of 2015 (FRDAA), and OMB A-123 Management's Responsibility for Enterprise Risk Management and Internal Control. NARA established these controls before the promulgation of the FRDAA.

NARA management conducts fraud-related risk assessments with respect to the areas identified in section II.5.6 of the Fraud Reduction and Data Analytics Act. In addition, NARA's OIG performs an independent annual risk assessment of the agency's purchase and travel cards and provides audits of these and other agency activities that are the most likely targets of fraud.

NARA also identifies and manages risks associated with fraud through its internal controls program. Areas of focus include acquisitions, grants, accounting policy and operations, payroll, travel cards, and purchase cards. NARA's internal controls program includes an annual assessment of risks for programs and functions susceptible to fraud.

Specific agency-wide controls include system enforced segregation of duties; training for purchase and travel card holders; automated workflow and approval for purchasing activities; system enforced three-way match on invoice payments; reviews of grants over \$150,000; and multiple reviews for unauthorized purchases, overdue accounts, and accounting irregularities. NARA management assesses these and other fraud-related controls through regular control monitoring and testing.

In addition to NARA in-house internal controls, NARA's financial management shared service provider enforces fraud-related controls that NARA leverages through its close working relationships. This process allows for multiple reviews for high-risk activities and increased checks and balances.



This Agency Financial Report is available at [www.archives.gov/about/plans-reports/](http://www.archives.gov/about/plans-reports/), as well as Performance and Accountability Reports for previous years, the NARA Strategic Plan, and Annual Performance Plans and Performance Budgets.

Links to other web pages of interest, such as research tools, information on the Presidential Libraries, and public documents published by Office of Federal Register may be found at [www.archives.gov](http://www.archives.gov).

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