

SECTION 4 OTHER ACCOMPANYING INFORMATION

INSPECTOR GENERAL'S ASSESSMENT OF MANAGEMENT CHALLENGES FACING NARA

Under the authority of the Inspector General Act, the NARA OIG conducts and supervises independent audits, investigations, and other reviews to promote economy, efficiency, and effectiveness and to prevent and detect fraud, waste, and mismanagement. To fulfill that mission and help NARA achieve its strategic goals, we have aligned our programs to focus on areas that we believe represent the agency's most significant challenges. We have identified those areas as NARA's top ten management challenges and have identified the related audits, investigations, and reviews that were performed in FY 2008.

1. Electronic Records Archives (ERA)

The Electronic Records Archives (ERA) is a technology system and workflow management program designed to store and manage electronic records and to manage the lifecycle of paper records and other holdings. NARA's challenge is to build a system that will accommodate past, present, and future formats of electronic records, free from dependence on any specific hardware or software. To date, the ERA program has experienced delivery delays, cost overruns, and staffing shake-ups. As a result, the success of this mission critical program is uncertain. The challenge will be to deliver and maintain a functional ERA system that will preserve electronic records for as long as needed.

Audits, investigations, and reviews performed in FY 2008:

- Review of Electronic Records Archives Contract Direct Labor Costs
- Audit of ERA Subcontractor Costs
- ERA Periodic Status Update- Initial Operating Capability (IOC)

2. Improving Records Management

Part of NARA's mission is to ensure that Federal officials and the American public have continuing access to records. NARA must work with Federal agencies to ensure scheduling, appraisal, and accessioning processes are effective and efficient; allowing NARA to meet its Strategic Goal of ensuring access to these records as soon as legally possible. The key challenge is how best to accomplish this component of our overall mission and identify and react to agencies with critical records management needs, especially in an environment in which an increasing amount of records are electronic as opposed to textual.

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

In June 2008, GAO recommended NARA develop and implement an approach to provide oversight of agency records management programs that provides adequate assurance agencies are following NARA guidance.

3. Information Technology Security

The Archivist identified IT Security as a material weakness under the FMFIA reporting process in FY 2007 and FY 2008. NARA's Office of Information Services (NH) conducted an independent assessment of the IT security program using the Program Review for Information Security Management Assistance (PRISMA) methodology developed by the National Institute for Standards and Technology (NIST) in FY 2007. The assessment identified significant deficiencies in the areas of policy development, authorization, and communication of security responsibilities to system owners and other stakeholders.

Information technology security continues to present major challenges for NARA. The confidentiality, integrity and availability of our electronic records and information technology systems are only as good as our IT security infrastructure. Each year, the risks and challenges to IT security continue to evolve. NARA must ensure the security of its data and systems or risk undermining the agency's credibility and ability to carry out its mission.

Audits, investigations, and reviews performed in FY 2008:

- Management Letter: Work-at-Home System Project
- Audit of NARA's Implementation of the Federal Desktop Core Configuration
- Audit of NARA's Compliance with FISMA for FY 2007
- Audit of NARA's Compliance with Section 522 of the Consolidated Appropriations Act of 2005 (Policies, Procedures, and Practices for Protection of Personally Identifiable Information) performed by Clifton Gunderson, LLP
- Investigation related to the theft of a flash drive
- Investigation related to a contractor improperly accessing a NARA employee's email
- Investigation related to a cell phone and PDA use in classified SCIF area
- Investigation related to NARA records accessed from a former employees' home computer via p2p file sharing

4. Expanding Public Access to Records

In a democracy, the records of its archives belong to its citizens. NARA's challenge is to more aggressively inform and educate our customers about the services we offer and the essential evidence to which we can provide access. Of critical importance is NARA's role in ensuring the timeliness and integrity of the process of declassifying classified material held at NARA.

Another challenge for NARA, given the internet and the expectation of easy and immediate access to information on-line, will be to provide such access to both records that are created digitally (e.g. "born digital") and identify those textual records most in demand so that they can be digitized and made available electronically.

5. Meeting Storage Needs of Growing Quantities of Records

NARA-promulgated regulation 36 CFR Part 1228, "Disposition of Federal Records," Subpart K, "Facility Standards for Records Storage Facilities," requires all facilities that house Federal records to meet defined physical and environmental requirements by FY 2009. NARA's challenge is to ensure its own facilities, as well as those used by other Federal agencies, are in compliance with these regulations.

6. Preservation Needs of Records

The Archivist identified preservation as a Material Weakness in FY 2005. In FY 2007 this was downgraded by the Archivist to a reportable condition and is currently being monitored as a significant deficiency. NARA cannot provide public access to records to support researchers' needs unless it can preserve them for as long as needed. As in the case of our national infrastructure (bridges, sewer systems, etc.), NARA holdings grow older daily and are degrading. The challenge of ensuring that NARA facilities meet environmental standards for preserving records (see OIG Challenge #5) also plays a critical role in the preservation of federal records.

Audits, investigations, and reviews performed in FY 2008:

- Audit of the Process of Safeguarding and Accounting for Presidential Library Artifacts

7. Improving Project Management

Effective project management is essential to obtaining the right equipment and systems to accomplish NARA's mission. Complex and high dollar contracts require multiple program managers often with varying types of expertise. NARA is challenged with planning projects, developing adequately defined requirements, analyzing and testing to support acquisition and deployment of the systems and oversight to ensure effective or efficient results within costs. These projects must be managed and tracked to ensure cost, schedule and performance goals are met.

Audits, investigations, and reviews performed in FY 2008:

- Audit of NARA's Development of the Holdings Management System

8. Physical and Holdings Security

The Archivist has identified security of collections as a material weakness under the FMFIA reporting process. NARA must maintain adequate levels of security to ensure the safety and integrity of persons and holdings within our facilities. This is especially critical in light of the new realities that face this nation, post-September 11, and the risks that our holdings may be pilfered, defaced, or destroyed by fire or other natural disasters.

Audits, investigations, and reviews performed in FY 2008:

- Audit of the Process of Safeguarding and Accounting for Presidential Library Artifacts
- Audit of Researcher ID Program

- Management Letter: Update on Conditions of the Museum Collection at the Ronald Reagan Presidential Library
- Management Letter: Historical Records Discarded in Trash
- Management Letter: Security Response at A-I
- Investigation related to Missing World War II Maps
- Investigation related Violation of the Taxpayer Browsing Protection Act
- Investigation related to the Handling of Classified Material
- Investigation related to Missing Wright Brothers' Flyer Patent
- Investigation related to Missing Wright Brother's Airplane Patent
- Investigation related to Suspicious Activity at a Presidential Library
- Investigation related to Improper handling of classified records
- Investigation related to Tampered vault
- Investigation related to NARA holding from an affiliated archive
- Investigation related to Accessioned records disposed of in trash in research room
- Two President Grant pardons stolen from Philadelphia archives recovered
- One President Jackson pardon stolen from Philadelphia archives recovered
- Investigation related to classified documents removed from vault at Suitland and not returned
- Investigation related to a Contractor who was improperly afforded access to classified national security information
- Investigation related to Reagan staffer who kept classified material after leaving the administration
- Investigation related to Missing drawing of Eli Whitney's cotton gin

9. Contract Management

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

Audits, investigations, and reviews performed in FY 2008:

- Investigation related to a Contractor alleged to be using illegal immigrants and underpaying staff
- Investigation related to a Contractor falsifying time sheet

10. Strengthening Human Capital

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

In November 2007, OPM reported NARA had not established a formal human capital plan addressing the alignment of human resource policies and programs to organizational mission, strategic goals, and performance measures. Continuity of leadership within NARA is not ensured because it has not developed a comprehensive succession program that provides training to employees to develop them as managers.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT



National Archives and Records Administration

700 Pennsylvania Avenue, NW
Washington, DC 20408-0001

October 31, 2008

FY 2008 STATEMENT OF ASSURANCE

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

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

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

A handwritten signature in cursive script that reads "Allen Weinstein".

ALLEN WEINSTEIN
Archivist of the United States

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

FY 2008 REPORT ON INTERNAL CONTROLS

Background on FMFIA Requirements

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

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

NUMBER OF MATERIAL WEAKNESSES

	Number at Beginning of Fiscal Year	Number Corrected	Number Added	Number Remaining at End of Fiscal Year
FY 2004	2			2
FY 2005	2	1	1	2
FY 2006	2	1		1
FY 2007	1		1	2
FY 2008	2		1	3

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS
Statement of Assurance: Qualified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Holdings Security	1					1
IT Security Program	1					1
Inventory Controls in Presidential Libraries		1				1
<i>Total Material Weaknesses</i>	2	1				3

Continuing Improvements in NARA Holdings Security

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

During FY 2008, members of the working group:

During FY 2008, members of the working group:

- Reviewed NARA-wide policy and procedures that related to holdings security and began updates or revisions as appropriate. As of September 30, 2008, 54 percent of our policy and procedure documents have been fully updated and re-issued.
- Established an annual refresher training session for all NARA staff and contractors who have access to archival holdings. Most staff and contractors at all NARA facilities completed this refresher course by September 30, 2008.
- Inspected and validated the enhanced capacity to protect “treasure” records at all regional archives and records facilities.

In FY 2009, NARA will continue enhancement efforts in several areas:

Policy and Procedures

- Complete updates or revisions of NARA-wide policy and procedures related to holdings security.

Training

- Update annual staff and contractor training and move to the NARA Learning Management System.
- In conjunction with an initiative led by NARA’s training staff, prepare introductory training that will be incorporated into new staff orientation.

Security for records storage areas

- Create and maintain a physical security improvement plan based on a requirements checklist.
- Review and assess the adequacy of location control systems for all holdings.
- Inspect and validate capacity for special protection of “treasure” records at all locations.

Internal controls

- Conduct annual reviews of security procedures and practices.

Theft preventions and response

- Develop a communications plan to increase public awareness and assistance in preventing theft.

Improvement Needed in the NARA IT Security Program

In the fourth quarter of FY 2007, NARA’s Office of Information Services (NH) conducted an independent assessment of the IT security program using the Program Review for Information Security Management Assistance (PRISMA) methodology developed by the National Institute for Standards and Technology (NIST). The report of that assessment indicated that NARA’s IT security program was functioning at a level of “partially compliant” in all areas tested, but warned that the program was overly dependent on the personnel implementing it, and was immature with respect to key processes.

Specifically, the assessment identified significant deficiencies in the areas of policy development, authorization, and communication of security responsibilities to system owners and other stakeholders. The assessment indicates that these deficiencies are rooted in the current level of staffing and resources, and are driving the over-dependency on the IT Security staff for implementation of the security program. The report points out that the dedication and proficiency of the security staff cannot substitute for the processes and procedures necessary to meet the security challenges on the immediate horizon. If not addressed, these

deficiencies will limit the program's ability to mature to the level necessary to support future demands imposed by external mandates such as HSPD-12, or internal system development projects, such as the Electronic Records Archives.

These programmatic deficiencies, described in the PRISMA assessment, do not represent a technical risk to agency IT systems, the data they hold, or to the agency's external partners. However, the threshold condition for a significant deficiency is met and identified here as a material weakness. During FY 2008, NARA staff made progress in several areas:

- Initiating a Business Impact Analysis that outlined roles and responsibilities, training needs, and system requirements for self assessments, contingency planning, disaster recovery, Continuity of Operations, and system security plan updates,
- Strengthening written policies, and
- Improving the quality assurance processes for the IT Security Program.

In FY 2009, we will continue work to enhance IT security at NARA. Specific planned activities include:

- Update IT security policy documents with revised roles and responsibilities,
- Ensure that security considerations are incorporated, as necessary, in IT contracts, and
- Update contingency planning procedures based on results of the FY 2008 business impact analysis.

Improvement Needed in Presidential Library Inventory Controls

In October 2007, NARA's Inspector General issued an audit report regarding inventory controls over artifacts in the Presidential libraries. In that report, the OIG likened weaknesses found in these controls with those cited in the Holdings Security material weakness. We believe that the control families for these two weaknesses are very different and we will address them separately.

The audit report and subsequent action plan address a system-wide need to complete 100 percent inventories of artifact holdings, the re-inventory of collections for which 100 percent inventories already exist, the implementation of a preservation risk matrix, and the development of guidelines and standards for tracking loan information in an automated tool, digital images and de-accessioning, and specific action items to address findings relating to the Ronald Reagan Presidential Library.

In FY 2008, we worked to focus attention and expertise on museum collections. We gathered all NARA museum registrars in Washington, DC, for a two-day meeting in June 2008 and created and filled a new position for a GS-13 Chief Registrar of Museum Collections in July 2008. During this year we also worked to strengthen documentation, identify inventory issues and create appropriate mitigation strategies, and foster better communication among the collections staffs at the 13 library sites, the Presidential Materials Staff, and the Office of Presidential Libraries.

In FY 2009, NARA will continue enhancement efforts in several areas:

- Complete 100 percent inventory and 100 percent re-inventory plans
- Implement periodic reporting requirements
- Centralize collections management database files and procure new collections management system
- Update and revise policies and procedures
- Conservation and preservation

- Artifact controls at the Ronald Reagan Presidential Library

Other Internal Control Weaknesses

Although we are no longer required to report on control deficiencies that do not meet the criteria of a material weakness, we choose to include this information in FY 2008. In both cases noted below, NARA's Inspector General characterizes the weaknesses as material. The essence of the difference in our positions on the characterizations of the weaknesses in preservation and processing lies in two areas: we do not agree that the existence of a backlog or the lack of resources are indicators of a material weakness. Other agencies experience these conditions, a fact that was noted in the OIG's audit report on textual processing issued in February 2007. We have noted these areas in our ten-year Strategic Plan and have established annual performance measures. We do not concur with the OIG assessment of the severity of risk associated with either weakness.

Preservation Program

As a result of an OIG audit in FY 2005, NARA recognized a material weakness related to its Preservation Program. Our FY 2006 FMFIA report noted that significant work against the original audit recommendations had been accomplished, and determined that the remaining issues no longer met the criteria for a material weakness. We constructed an action plan to address remaining issues and for FY 2007 and FY 2008 met all but one target and milestone. We will continue to monitor this program in FY 2009.

Textual Processing

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