

SECTION 4 OTHER ACCOMPANYING INFORMATION

INSPECTOR GENERAL'S ASSESSMENT OF MANAGEMENT CHALLENGES FACING NARA

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

1. Electronic Records Archives (ERA)

NARA's challenge is to build a system accommodating past, present, and future formats of electronic records. However, the ERA program has experienced delivery delays, budgeting problems, and contractor staffing problems. Initial Operating Capacity (IOC) for the ERA Program was delayed from September 2007 until June 2008, and the program functions at IOC were reduced as well. Further, due to delays, the system component to handle all White House records (the Executive Office of the President (EOP) System) was segregated out and pursued down a separate line of programming, and is not able to handle any classified records. The EOP System achieved IOC in December 2008 and all priority data was planned to be loaded into the system by March 2009. However, due to incomplete and inaccurate data received from the White House, the priority data was not loaded into the EOP System until September 2009. In addition, the ERA program experienced delays with the next phase of work (i.e., Increment 3) due to extensive contract negotiations. Increment 3 is scheduled to include: online public access, a Congressional instance, and system access to 25 additional agencies. Currently NARA staff is not able to clearly define what the ERA system will be able to do or what functions it will provide to NARA when the program reaches Full Operating Capability, currently predicted in 2012 at an estimated cost of \$453 million. The success of this mission-critical program is uncertain. The challenge will be to deliver and maintain a functional ERA system that will preserve and provide access to electronic records for as long as needed.

Audits, investigations, and reviews performed in FY 2009:

- OIG Monitoring of the Electronic Records Archives Program Status Reports
- OIG Monitoring of the Executive Office of the President (EOP) System
- The Omission of Classified Electronic Records from the EOP System
- Management Letter: Award Fee Program for the Electronic Records Archives Development Contract

2. Improving Records Management

Part of NARA's mission is safeguarding and preserving the records of our government thereby ensuring that people can discover, use, and learn from this documentary heritage. NARA ensures continuing access to the essential documentation of the rights of American citizens and the actions of their government. The effective management of the

records of the Federal government is key to accomplishing this mission. NARA must work with Federal agencies to ensure the effective and efficient appraisal, scheduling, and transfer of permanent records, regardless of format. The major challenge is how best to accomplish this component of our overall mission while reacting and adapting to a rapidly changing technological environment in which electronic records, and particularly e-mail, proliferate.

NARA also directs the Electronic Records Management (ERM) initiative, one of 24 Government-wide initiatives under the E-Government Act of 2002. 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. In June 2008, GAO recommended NARA develop and implement an approach to provide oversight of agency electronic records management programs that provides adequate assurance (a) NARA guidance is effective and (b) agencies are following electronic records guidance. NARA, its Government partners, and Federal agencies are challenged with determining how best to manage electronic records and how to make ERM and e-Government work more effectively.

3. Information Technology Security

The Archivist identified IT Security as a material weakness under the Federal Managers Financial Integrity Act 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 stated NARA's policy and supporting procedures for IT security were weak, incomplete, and too dispersed to be effective.

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 be identified. NARA must ensure the security of its data and systems or risk undermining the agency's credibility and ability to carry out its mission.

Audits, investigations, and reviews performed in FY 2009:

- NARA's Transition to Internet Protocol Version 6 (IPv6)
- NARA's Work at Home System
- NARA's Processing of Military Personnel Records Requests
- NARA's Change Control Process
- Investigation related to the Privacy Act/Release of Personally Identifiable Information

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 declassification process of classified material held at NARA.

Another challenge for NARA, given society's growing expectation for easy and near-immediate access to information on-line, will be to provide such access to records created digitally (i.e., "born digital") and to identify those textual records most in demand so they can be digitized and made available electronically. And finally, given the immense size of NARA's holdings (an estimated 9 billion pages of textual records), NARA must ensure it has the processes and resources necessary to establish intellectual control over its backlog of unprocessed records thereby allowing efficient and effective access to these records.

Audits, investigations, and reviews performed in FY 2009:

- Management Letter on Providing Complete Copies of OMPFs

5. Meeting Storage Needs of Growing Quantities of Records

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

6. Preservation Needs of Records

As in the case of our national infrastructure (bridges, sewer systems, etc.), NARA holdings face degradation associated with time. The Archivist previously identified preservation as a material weakness under the Federal Managers' Financial Integrity Act reporting process. However, in FY 2006, preservation was downgraded to a reportable condition, and it is currently being monitored as a significant deficiency. The OIG strongly disagrees with the agency's position. Preserving and providing access to records is a fundamental element of NARA's duties to the country. NARA cannot provide access to records unless it can preserve them for as long as needed. The current backlog of records needing preservation is growing. NARA is challenged to address this backlog and future preservation needs. The challenge of ensuring NARA facilities meet environmental standards for preserving records (see OIG Challenge #5) also plays a critical role in the preservation of Federal records.

NARA also faces a new challenge associated with electronic records, that of ensuring data integrity throughout the lifecycle of the electronic record.

Audits, investigations, and reviews performed in FY 2009:

- Controls over Presidential Library Textual Records
- Regional Archives Compliance with Procedures for Controlling Specially Protected Holdings

7. Improving IT 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. Further, systems are not always developed in accordance

with guidelines and system acceptance activities may not occur prior to the agency accepting delivery of a system. These projects must be managed and tracked to ensure cost, schedule, and performance goals are met.

Audits, investigations, and reviews performed in FY 2009:

- Audit of NARA's Work at Home System
- OIG Monitoring of the Electronic Records Archives Program Status
- OIG Monitoring of the Executive Office of the President (EOP) System
- The Omission of Classified Electronic Records from the EOP System
- Management Letter: Award Fee Program for the Electronic Records Archives Development Contract

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 security realities facing this nation and the risks that our holdings may be pilfered, defaced, or destroyed by fire or other man-made and natural disasters.

Audits, investigations, and reviews performed in FY 2009:

- Controls over Presidential Library Textual Records
- Regional Archives Compliance with Procedures for Controlling Specially Protected Holdings
- Management Letter: Management of Classified Information at the Washington National Records Center
- Investigation related to Lost/Stolen Presidential Records
- Investigation related Intrusion at Presidential Library

9. Contract Management and Administration

The GAO has identified Commercial Services Management (CMS) as a Government-wide initiative. The CMS initiative includes enhancing the acquisition workforce, increasing competition, improving contract administration skills, improving the quality of acquisition management reviews, and strengthening contractor ethics requirements. Effective contract management is essential to obtaining the right goods and services at a competitive price to accomplish NARA's mission. NARA is challenged to continue strengthening the acquisition workforce and improve 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 2009:

- Investigation related to a Procurement Integrity Act Violation
- Investigation related to Counterfeit/Grey Market IT Contract Fraud

10. Strengthening Human Capital

Earlier this year, the Partnership for Public Service ranked NARA 29th out of 30 large Federal agencies in its "Best Places to Work in the Federal Government" rankings. The

rankings are based on employee responses to the Federal Human Capital Survey (FHCS) administered bi-annually by the US Office of Personnel Management (OPM).

In response to the 2008 FHCS, NARA has performed a deeper analysis of the FHCS data and developed a FHCS Action Plan. The plan focuses Communication, Leadership, Performance Culture, and Training. The plan incorporates the individual strategies developed by each NARA office and identifies objectives, actions to be taken, outcome measures, and improvement targets for each. The plan also describes the process NARA will use to monitor its progress and hold it accountable for achieving results in these areas.

In November 2007, OPM reported NARA had not established a formal human capital plan. NARA has adopted a phased approach to human capital planning.

- In August 2009, NARA released its first formal Strategic Human Capital Plan, which establishes NARA's overall strategic human capital direction, goals, and strategies.
- Next, NARA will work towards a product that will be used to monitor and document activity associated with implementing the strategic human capital plan goals and strategies, and a series implementation plans mapped to specific program office and/or line of business objectives. NARA also plans to develop an accountability system to monitor and evaluate its human capital management policies, practices, and programs.

NARA's challenge is to effectively implement its FHCS Action Plan and phased approach to human capital planning. Results of implementing these actions will demonstrate whether NARA adequately assessed its human capital needs.

Audits, investigations, and reviews performed in FY 2009:

- NARA's Workers' Compensation Program (WCP)
- Investigations: Inappropriate Employee Conduct
- Investigation: Transit Authority Check Fraud

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT



National Archives and Records Administration

8601 Adelphi Road
College Park, MD 20740-6001

October 27, 2009

FY 2009 STATEMENT OF ASSURANCE

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

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

This assessment is based on results of audits and evaluations conducted by the Government Accountability Office (GAO), NARA's Office of Inspector General (OIG), 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 Inspector General concerning this statement of assurance. In most cases we are in agreement with his advice. We differ specifically with the scope of the IT security material weakness and the level of risk associated with significant deficiencies in our preservation program and textual records processing not included in this report.

In addition to the two significant deficiencies, the qualification noted above also includes material weaknesses in holdings protection, IT security, and artifact 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 "Adrienne C. Thomas".

ADRIENNE C. THOMAS
Acting Archivist of the United States

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FY 2009 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 2006	2	1		1
FY 2007	1		1	2
FY 2008	2		1	3
FY 2009	3	1	1	3

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS
Statement of Assurance: Qualified

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

Continuing Improvements in NARA Holdings Security/Protection

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. On September 4, 2009, the Acting Archivist announced the establishment of the NARA Holdings Protection Program. This name change from "Security" to "Protection" signals a change of focus. Our intent is to build a proactive structure to replace our current reactive posture. The Holdings Protection Team will comprise archival, loss prevention, and training specialists. Team

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members will work with NARA offices to provide assistance and advice, conduct policy and procedure inspections, and to conduct risk assessments. We believe that over time, this focused program that combines loss prevention, training, and an archival component will enable us to close this long-standing material weakness. During FY 2009, we:

- Updated our most comprehensive policy: Holdings Protection, NARA 1572.
- Held our second annual holdings protection training sessions for staff and contractors who work with archival records, and
- Established a Holdings Protection Program that will guide our future efforts.

In FY 2010, we will staff the new Holdings Protection Program and conduct a risk assessment. This assessment will be based on prevention from loss whether that loss occurs through theft, damage, or accountability issues. Results of this assessment will inform how we will continue efforts in five main areas:

- Policy and Procedures
- Training
- Security for records storage areas
- Internal controls
- Loss preventions and response

Improvement Needed in the NARA IT Security Program

In 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.

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, we:

- Initiated 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.
- Strengthened written policies, and
- Improved the quality assurance processes for the IT Security Program.

In FY 2009, we continued work to enhance IT security at NARA. Accomplishments included:

- Formal authorization for all NARA system owners with specific responsibilities assigned.
- Standard language to ensure that security considerations are incorporated, as necessary, in IT contracts, and
- Updated contingency planning procedures based on results of the FY 2008 business impact analyses.

We believe that with the accomplishments of the past two years we have reduced the risk in our IT Security Program. Beginning with FY 2010, we will continue to monitor progress in this area as a significant deficiency.

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Separate from the control weakness just described, issues related to the security of NARA-owned storage devices became known in late September 2009. These issues resulted from the misalignment of policy and contract language regarding the handling of PII on NARA-owned storage devices, specifically hard drives. These policies had not been effectively communicated to all levels of the organization and contracts with media storage and backup vendors were not updated to reflect the policies. There is no evidence that there have been any breaches in PII data to unauthorized users or handlers of PII information stored at NARA.

NARA's CIO is taking proactive measures to ensure all IT employees and contractor staff are well versed and trained in the proper identification, handling, storage, and disposal of PII as it relates to IT systems. Nonetheless, we believe that this deficiency warrants a material weakness designation. We will track this weakness as "IT Implementation of PII Protections."

In addition to a planned upgrade of NARA's network operating system in FY 2010, NARA will focus efforts in the following areas:

- Encryption of laptops.
- Ensure that all hardware maintenance contracts have a "keep disk" option.
- Prohibit the removal of media from NARA premises without proper security, and
- Security procedures for transporting backup tapes.

Improvement Needed in Presidential Library Artifact 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 continue to address them separately.

In FY 2008, we worked to focus attention and expertise on museum collections. We also worked to strengthen documentation, identify inventory issues and create appropriate mitigation strategies, and foster better communication among the collections staffs at the 12 library sites, the Presidential Materials Staff, and the Office of Presidential Libraries.

In FY 2009, we continued our efforts to improve artifact inventories. Accomplishments included:

- Completed inventory and re-inventory plans customized to individual libraries,
- Implemented periodic reporting requirements, and gathered first year statistics about our progress
- Continued to gather and archive inventories in centralized collections master file,
- Completed the physical inventory of the Reagan museum collection, pursued the resolution of issues identified during the inventory, and
- Completed alterations to the Reagan Library collections storage area to mitigate potential earthquake damage.

In FY 2010, NARA will focus efforts in several areas:

- Develop comprehensive artifact de-accession guidance,
- Identify costs and alternatives to replace our current collections management platform,
- Finalize comprehensive inventory policy and procedures and digital image standards,
- Continue to pursue, support, and monitor individual library inventory projects and goals, and
- Complete a final report on the Reagan Library's 100 percent inventory and use this information to plan high density shelving and other reconfigurations under a Master Storage Plan.

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