




Inspector General

December 9, 2021

TO: David S. Ferriero
Archivist of the United States

FROM: Dr. Brett M. Baker 
Inspector General

SUBJECT: *Management Letter: Control Deficiencies Identified During the Audit of National Archives and Records Administration's Financial Statements for Fiscal Year 2021*
OIG Report No. 22-AUD-03

The Office of Inspector General (OIG) contracted with CliftonLarsonAllen, LLP (CLA) to conduct an independent audit the financial statements of the National Archives and Records Administration (NARA) as of and for the fiscal years ended September 30, 2021 and 2020. CLA issued an unmodified opinion on the financial statements of NARA as of and for the fiscal years ended September 30, 2021 and 2020.

During the audit, CLA identified internal control deficiencies that did not rise to the level of a material weakness or significant deficiency but represent an opportunity to strengthen internal control and operating efficiency. The control deficiency, summarized in Appendix A, has been discussed with the appropriate members of your management team. The report should be read in conjunction with NARA's financial statements and notes to fully understand the context of the information contained therein.

Please provide corrective actions and expected dates to complete the actions for each of the recommendations within 30 days of the date of this letter. 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 for Audits, with any questions.

Attachment

cc: Debra Wall, Deputy Archivist of the United States
Micah Cheatham, Chief of Management and Administration
William Bosanko, Chief Operating Officer
Colleen Murphy, Chief Financial Officer and Senior Accountable Official
Meg Ryan Guthorn, Acting Deputy Chief Operating Officer
Kimm Richards, Accountability
Jewel Butler, Assistant Inspector General for Audits
Kimberly Boykin, Audit Director
Carol Seubert, Senior Financial Auditor
United States House Committee on Oversight and Government Reform
Senate Homeland Security and Governmental Affairs Committee



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FISCAL YEAR 2021 MANAGEMENT LETTER

To the Inspector General
National Archives and Records Administration

To the Archivist
National Archives and Records Administration

In planning and performing our audit of the consolidated financial statements of the National Archives and Records Administration (NARA) as of and for the year ended September 30, 2021, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No.21-04, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 21-04), we considered NARA's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of NARA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls.

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, 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Communication with Management

Our Independent Auditors' Report, dated November 8, 2021, described one significant deficiency. During our audit, we also became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that represent opportunities for strengthening internal control and operating efficiency. While the nature and magnitude of these other deficiencies in internal control were not considered important enough to merit the attention of those charged with governance, they are considered of sufficient importance to merit management's attention. Our comments and recommendations regarding those matters are summarized in Appendix A. This communication does not affect our Independent Auditors' Report, dated November 8, 2021, which contains our written communication of one significant deficiency that came to our attention in performing our audit.

We have discussed these comments and recommendations with various NARA personnel, and we will be pleased to discuss them in further detail at your convenience.

Appendix B presents the current year status of the prior year management letter comments. This communication is intended solely for the information and the use of NARA management and NARA Office of Inspector General and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Arlington, Virginia
November 8, 2021

Appendix A
National Archives and Records Administration
Fiscal Year 2021 Financial Statement Audit

Management Letter Comments

1. Entity Wide Travel Policy was not Updated Timely (Repeat Finding)

NARA's 601 Travel Policy and Procedures listed on NARA's intranet and provided to the auditors was not current. The policy was last updated in March 2008 and does not reference current procedures.

CLA issued a repeat prior year finding, as the condition mentioned above still exists as of September 30, 2021.

Recommendation 1:

Recommend the Chief Financial Officer update the travel policy and continue efforts to ensure that all written policies and procedures are reviewed and revised timely.

Management Response:

Management concurred with the finding and recommendation without additional comment.

2. Inadequate Internal Control over Timely Resolution of Errors (Repeat Finding)

In FY 2019, CLA reported that NARA violated the Antideficiency Act by incurring obligations in excess of available appropriation. The error was caused by an issue between the PRISM and Oracle interface that was known to ARC. NARA's monitoring controls over ARC's processes were inadequate and did not provide timely feedback to ensure 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.

CLA issued a repeat prior year finding, as corrective actions have not been implemented to remediate all the conditions mentioned above as of September 30, 2021.

Appendix A
National Archives and Records Administration
Fiscal Year 2021 Financial Statement Audit

Management Letter Comments

Recommendation 2:

Recommend the Office of the Chief Acquisition Officer ensure Contracting Officers understand their responsibility to use appropriate cost allocations for each contract line.

Recommendation 3:

Recommend 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.

Management Response:

Management concurred with the findings and recommendations without additional comment.

Appendix B
National Archives and Records Administration
FY 2021 Financial Statement Audit
Status of Prior Year Recommendations

Prior Year Recommendations	Fiscal Year 2021 Status
The Chief Financial Officer update the travel policy to ensure that all written policies and procedures are reviewed and revised timely. (modified repeat recommendation)	Open. Repeat finding in FY 2021
The Office of Chief Acquisition Officer ensure Contracting Officers understand their responsibility to use appropriate cost allocations for each contract line. (modified repeat recommendation)	Open; reclassified from SD in FY 2020 to MLC in FY 2021
The Chief Financial Officer update Interim Guidance 400-8, <i>Quarterly Reconciliation of Open Items for all NARA Funds</i> , 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. (modified repeat recommendation)	Open; reclassified from SD in FY 2020 to MLC in FY 2021