



# OFFICE OF INSPECTOR GENERAL

## *Semiannual Report to Congress*

OCTOBER 1, 2009—MARCH 31, 2010

NATIONAL ARCHIVES AND  
RECORDS ADMINISTRATION



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# FOREWORD

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*David S. Ferriero was confirmed as the 10th Archivist of the United States on November 6, 2009. In a very short time we have entered into an effective professional relationship, with a shared goal of improving the operational effectiveness and efficiency of NARA operations. Our way ahead is not easy, the need for constructive and meaningful change in the way NARA performs its mission and serves our stakeholders has never been greater, nor the risks more apparent. Traditional challenges such as preserving and protecting textual records have now been joined by a whole array of new ones. At the forefront of these is the multi-faceted challenge of addressing the issues raised by electronic records. If a Federal record is born digitally today, will it survive the archival rigors which will ultimately make it accessible to future generations? This question is very much in play at this time.*

*In this area, OIG staff have been at the forefront in raising concerns about the status of the Electronic Records Archive (ERA) program. ERA is scheduled to reach full operating capability in 2012. Former Archivist John Carlin defined ERA's prominence to NARA as analogous to NASA's manned landing on the moon, and it is of vital importance to our very ability to ensure future generations will have access to the history being created today. Should ERA fail to meet its core requirements, we are unaware of any viable safety net or fallback position for the government. Thus we will work closely with the new Archivist to do all that we can to assist NARA in this effort. However, we are fully cognizant that as the Office of Inspector General we have a wide array of other functions which we must perform in this agency as well.*

*In a recent address at the Department of the Treasury, the Archivist stated that records are "necessary to document and protect the rights of our citizens and to hold government officials accountable for their actions. But, in a more open government, there can be no accountability if the Government does not preserve – and cannot find – its records." Our work is focused upon helping NARA address the core agency mission of providing leadership, guidance and support to other Federal agencies and institutions who rely upon us. The effectiveness and efficiency by which NARA accomplishes its mission objectives has direct correlation to the capacity of our current and future stakeholders to find the records they seek.*

*I have a great deal of respect for the character and capacity of my staff and believe that the new Archivist will view us as a reliable and useful partner in helping him make NARA a pre-eminent organization.*



*Paul Brachfeld  
Inspector General*

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Visit <http://www.archives.gov/oig/> to learn more about the National Archives Office of Inspector General.

# *EXECUTIVE SUMMARY*

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This is the 43rd Semiannual Report to the Congress summarizing the activities and accomplishments of the National Archives and Records Administration (NARA) Office of Inspector General (OIG). A summary of agency material weaknesses we believe exist in NARA programs and operations is also included, as well as a summary of NARA's top ten management challenges. The highlights of our major functions are summarized below.

## Audits

In this reporting period, the Audit Division continued to examine the development of NARA's Electronic Records Archives system, the security of NARA's Information Technology (IT) systems, and to assess the economy and efficiency of NARA's programs. Our work this period had a positive impact on agency operations and related controls in these critical areas. Recommendations directed to NARA officials will, upon adoption, translate into reduced risk for the agency and increased levels of security and control over NARA's financial assets, programs and operations.

We issued the following audit reports during the reporting period:

- **NARA's Oversight of Electronic Records Management in the Federal Government.** Our objective was to determine whether management controls provided reasonable assurance electronic records designated as "permanent" were adequately identified, scheduled and obtained by NARA. The controls in place are not adequate to protect permanent Federal electronic records from loss, and thus the Electronic Records Management area is a Material Weakness. Specifically, NARA cannot reasonably ensure permanent electronic records are being adequately identified, maintained, and transferred to NARA in accordance with Federal regulations. NARA is working toward improving electronic records management in the Federal Government, mainly through the development and promulgation of regulations and guidance for the proper management of these records, yet significant deficiencies remain. We identified the following factors contributing to this condition: (a) NARA does not have a fully integrated program for adequately addressing electronic records management (ERM); (b) NARA lacks systematic information on government-wide ERM practices and compliance with electronic record regulations, guidance and policies – including a program supporting inspections of the record keeping programs and practices of Federal agencies; (c) the universe of electronic records and electronic recordkeeping systems has not been adequately identified, and; (d) NARA lacks an approach to adequately identify possible gaps in scheduled permanent electronic record accessions. We made seven recommendations for program improvement. Management concurred with recommendation one and requested recommendations two through seven be held in abeyance until recommendation one has been addressed. (OIG Report #10-04, dated April 2, 2010. See page 12.)
- **Search Engine Analysis of Online Public Access to the Electronic Records Archives.** Electronic Records Archives (ERA) program officials did not independently test or analyze the application chosen to run ERA's public search engine prior to its selection for the program. Instead, NARA relied exclusively on the recommendation of the ERA

# EXECUTIVE SUMMARY

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contractor. NARA ERA program officials could not provide OIG auditors with sound and transparent documentation to validate the search engine selection for the largest IT project ever undertaken by this agency, and one that will impact all NARA stakeholders for the foreseeable future. NARA's IT Architecture Systems Development Guidelines require that after evaluating commercial off-the-shelf products, the findings must be documented and justified. In this case, NARA accepted the ERA contractor's selection to the exclusion of other vendors and search engines based upon incomplete analysis, and devoid of actual ERA technical staff hands-on testing. (Audit Report #10-03, dated January 28, 2010. See page 13.)

- **National Historical Publications and Records Commission (NHPRC) Grant No. 2004-026.** The objectives of this audit were to determine whether (1) funds expended were used in accordance with Federal guidelines and (2) NARA objectives for issuing the grant were accomplished. Although the grant objectives were met, we questioned the entire Federal grant award of \$762,320 provided due to lack of documentation/timesheets supporting labor costs. The grant agreement identified that all Federal funds were used for labor expenses. The grantee was unable to provide required personnel activity reports or timesheets to support labor expenses reportedly incurred. Grantee personnel stated they were unaware timesheets were required and, thus, did not have a process to record and document their labor costs even though this requirement was documented in the grant award. Thus, we were unable to determine the validity of Federal funds paid. Management concluded sufficient evidence existed to substantiate that the Federal funds granted were used in an appropriate manner by the grantee, and there was no reason to consider seeking recovery of any funds. Additionally, management indicated steps would be taken in the future to prevent additional occurrences of this event. (Audit Report #10-01, dated October 26, 2009. See page 15.)
- **NARA's Fiscal Year 2009 Financial Statements.** Cotton & Company LLP (C&C), a public accounting firm, audited NARA's consolidated balance sheets as of September 30, 2009, and the related statement of net cost, changes in net position and budgetary resources. C&C issued an unqualified opinion on NARA's FY 2009 financial statements. This is the fourth year in a row NARA received an unqualified opinion. C&C disclosed no material weaknesses and no instances of noncompliance with certain provisions of laws and regulations. However, C&C reported two significant deficiencies in internal controls over financial reporting in the areas of Personal Property and Information Technology resulting in 18 recommendations that, if implemented, should correct the matters. Management concurred with the recommendations. (Audit Report #10-02, dated December 11, 2009. See page 16.)

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## Management Letters

- **Proactive Holdings Security Exercise.** The Office of Investigations conducted an unannounced proactive holdings security assessment designed to test the balance between access to, and security of, our nation's historical records at various facilities. Major security lapses were identified and exploited, calling into question the adequacy of management controls and security measures in place to protect the records of our democracy. Observations and weaknesses observed were communicated to the Archivist and management. Currently management is putting together a plan to address the weaknesses noted. (Management Letter #OI-10-02, dated March 4, 2010.)
- **Security Conditions in Research Rooms.** Through this management letter we informed the Archivist of the results of an unannounced visit of the research room at a NARA facility. OIG staff questioned research room staff on their roles and duties related to physical security and theft prevention/detection, and evaluated certain security equipment. We found the lack of viable security equipment, paired with ineffectual operational security fostered an environment in which holdings were at constant risk of theft. Currently management is developing a plan to address these conditions. (Management Letter #10-06, dated March 15, 2010.)
- **1930 Census Website Contracting Issues.** The OIG advised the Archivist of contracting problems surrounding the NARA's 1930 Census microfilm locator website, <http://1930census.archives.gov/>. While NARA's ineffectual record keeping prevents any positive conclusion, it appears from approximately April 2003 until June 2006 NARA used web-hosting services for this site from a contractor without specifically paying for them. The lack of effective file keeping prevents a definitive calculation of the fair market value of these services. Federal agencies are not allowed to accept gratuitous services, gifts, or voluntary services from contractors except under very limited circumstances specifically allowed by law. In the present case there was no authority for NARA to accept services for free. While we found no evidence of untoward conduct by any of the parties involved, there is certainly a perception issue when the government receives free services from a contractor. (Management Letter #10-01, dated March 2, 2010.)
- **Award Fee Program for the Electronic Records Archives Development Program.** Through this management letter we made the Archivist aware that issues previously raised about the ERA award fee program in OIG Management Letter Report No. 09-08, "Award Fee Program for the ERA Contract," dated January 15, 2009, have not been appropriately addressed and the current ERA award fee program is still not functioning in an efficient and effective manner. In their action plan to address issues raised in the previous letter, management stated they would develop a new award fee plan. However, this has not occurred. Further, the ERA office did not follow the award fee plan NARA did have. Among other issues, the ERA office did not keep appropriate written documentation and records of their decisions, evaluation reports were inconsistent with the requirements of the award fee plan and inconsistent in content, and NARA was late in evaluating and paying the contractor award fees. (Management Letter #10-08, dated March 24, 2010.)

# ***EXECUTIVE SUMMARY***

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## **Investigations**

During this reporting period, the Office of Investigations (OI) opened 10 investigations and closed 18 investigations, three of which are closed pending an administrative response from NARA. The OI also received 46 complaints and closed 33 complaints, four of which are closed pending an administrative response from NARA. Three NARA holdings were recovered during the period. Additionally, the OI worked with the State Department's Diplomatic Security Service, the Federal Protective Service, the Department of Justice's Computer Crime and Intellectual Property Section, the FBI, the U.S. Secret Service, the U.S. Postal Inspection Service, and the Offices of Inspectors General at the Veterans Administration, the General Services Administration, the Department of Labor, and the Small Business Administration. At the close of the period, there remained 39 open complaints and 35 open investigations.

The OI completed investigations in a variety of areas including the following:

- Distribution of Pornography via Government Computer
- Holdings Security
- Misuse of Government Credit Card
- Fraudulent Use of the NARA Seal
- Inappropriate Foreign Travel
- Destruction and Disposal of Historical Records
- Stolen/Missing Hard Drive
- Stolen/Missing Computer Tapes
- Conflicts of Interest

The Office of Investigations is presently staffed with five 1811 series Special Agents, an investigative archivist, a computer forensic analyst, and an Assistant Inspector General for Investigations. Two additional agents are anticipated in the next reporting cycle. This team provides investigative coverage to an approximately 3,000-person, 44-facility, nationwide agency that includes the Presidential library system. This broad-based area of operations presents a demanding investigative challenge to provide real-time coverage when multiple incidents occur requiring a rapid response. The OI conducts both responsive and proactive investigations in order to support our statutory mission. We have expanded our physical presence with the staffing of our office at the National Archives facility in Washington, DC, and anticipate that presence will continue to grow.

# ***EXECUTIVE SUMMARY***

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## **Management Assistance**

- Referred three cases from the Archival Recovery Team to the Office of General Counsel pursuant to NARA Directive 1462.
- Members of the Office of Investigations, and particularly, the Archival Recovery Team, met with staff from NARA's new Holdings Protection Program in an effort to marshal our collective resources to discover new avenues and approaches to providing adequate security and control of our nation's historical records.
- The Office of Investigations Computer Crime Lab assisted NARA in the forensic analysis of a 2-terabyte hard drive for classified information and personally identifiable information (PII).
- Responded to multiple requests for OIG records under the Freedom of Information Act
- Provided comment and input into several NARA directives.



# ***INTRODUCTION***

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## **About the National Archives and Records Administration**

### **Mission**

The National Archives and Records Administration serves American democracy by safeguarding and preserving the records of our Government, ensuring the people can discover, use, and learn from this documentary heritage. Further, the agency ensures continuing access to the essential documentation of the rights of American citizens and the actions of their government; and supports democracy, promotes civic education, and facilitates historical understanding of our national experience.

### **Background**

NARA, by preserving the nation's documentary history, serves as a public trust on which our democracy depends. It enables citizens to inspect for themselves the record of what the Government has done. It enables officials and agencies to review their actions and helps citizens hold them accountable. It ensures continuing access to essential evidence documenting the rights of American citizens, the actions of Federal officials, and the national experience.

Federal records reflect and document America's development over more than 200 years. They are great in number, diverse in character, and rich in information. NARA's traditional holdings amount to 31 million cubic feet of records. These holdings also include, among other things, letters, reports, architectural/engineering drawings, maps and charts; moving images and sound recordings; and photographic images. Additionally, NARA maintains hundreds of thousands of artifact items and over 6.7 billion logical data records. The number of records born and stored solely in the electronic world will only continue to grow, thus NARA is developing the Electronic Record Archives to address this burgeoning issue.

NARA involves millions of people in its public programs, which include exhibitions, tours, educational programs, film series, and genealogical workshops. In FY 2009, NARA had 37.5 million online visits in addition to hosting 3.7 million traditional museum visitors, all while responding to 1.4 million written requests from the public. NARA also publishes the *Federal Register* and other legal and reference documents, forming a vital link between the Federal Government and those affected by its regulations and actions. Through the National Historical Publications and Records Commission, NARA helps preserve and publish non-Federal historical documents that also constitute an important part of our national heritage. Additionally, NARA administers 13 Presidential libraries preserving the papers and other historical materials of all past Presidents since Herbert Hoover.

### **Resources**

In fiscal year (FY) 2010, NARA was appropriated an annual budget of approximately \$469.8 million and 3,214 (estimated) Full-time Equivalents (FTEs), including appropriations of \$339 million for operations, \$85 million for the Electronic Records Archives (ERA) program, \$27.5 million for repairs and restorations of facilities, and \$13 million for grants. NARA operates 44 facilities nationwide.

# ***INTRODUCTION***

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## **About the Office of Inspector General (OIG)**

### **The OIG Mission**

The OIG's mission is to ensure NARA protects and preserves the items belonging in our holdings, while safely providing the American people with the opportunity to discover, use and learn from this documentary heritage. We accomplish this by providing high-quality, objective audits and investigations; and serving as an independent, internal advocate for economy, efficiency, and effectiveness.

### **Background**

The Inspector General Act of 1978, as amended, along with the Inspector General Reform Act of 2008, establishes the OIG's independent role and general responsibilities. The Inspector General reports to both the Archivist of the United States and the Congress. The OIG evaluates NARA's performance, makes recommendations for improvements, and follows up to ensure economical, efficient, and effective operations and compliance with laws, policies, and regulations. In particular, the OIG:

- assesses the effectiveness, efficiency, and economy of NARA programs and operations
- recommends improvements in policies and procedures to enhance operations and correct deficiencies
- recommends cost savings through greater efficiency and economy of operations, alternative use of resources, and collection actions; and
- investigates and recommends legal and management actions to correct fraud, waste, abuse, or mismanagement.

Further, the OIG investigates criminal and administrative matters concerning the agency, helping ensure the safety and viability of NARA's holdings, customers, staff, and resources.

### **Resources**

In FY 2010, a separate appropriation was established for the OIG in compliance with the Inspector General Reform Act of 2008, previously funds for the OIG were in NARA's Operating Expenses appropriation. For FY 2010, Congress provided \$4.1 million for the OIG, including resources for three additional positions and raising the OIG FTEs level from 19 to 23. During the period the OIG began the process to fill the three positions. At current staffing, the OIG has one Inspector General, one support staff, nine FTEs devoted to audits, eight FTEs devoted to investigations, and a counsel to the Inspector General.

# ***ACTIVITIES***

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## **Involvement in the Inspector General Community**

### **CIGIE Investigations Committee**

The IG served as a member of the Counsel of Inspectors General on Integrity and Efficiency's Investigations Committee. The mission of the Investigations Committee is to advise the IG community on issues involving investigative functions, establishing investigative guidelines, and promoting best practices.

### **Assistant Inspectors General for Investigations (AIGI) Committee**

The AIGI served as vice-chair to the AIGI Committee, which serves as a standing subcommittee to the CIGIE Investigations Committee. The AIGI Committee provides guidance, assistance and support to the CIGIE Investigations Committee in the performance of its duties. In addition, the AIGI Committee serves as a conduit for suggestions, issues and concerns that affect the OIG investigations community to the CIGIE Investigations Committee for appropriate action.

### **Council of Counsels to Inspectors General (CCIG)**

The OIG counsel is an active participant in meetings of the CCIG, and communicated regularly with fellow members. In these meetings multiple topics were raised, discussed, and addressed, including the operation and staffing of the new Counsel of Inspectors General on Integrity and Efficiency, launching a new interactive CCIG website, changes to various Federal laws and policies, the training of IG criminal investigators, and various high-profile investigations in the IG community.

### **Federal Audit Executive Council (FAEC)**

The Assistant Inspector General for Audits (AIGA) continued to serve as a representative to the FAEC. During the period, the AIGA attended FAEC's meeting to discuss topics such as financial statement audit issues, audit training, opinion reports on internal controls, and information security.

# **ACTIVITIES**

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## **Response to Congressional Items**

### **Testimony Before the Information Policy, Census, and National Archives Subcommittee of the House Oversight and Government Reform Committee**

On November 5, 2009, the IG testified before the Information Policy, Census, and National Archives Subcommittee of the House Oversight and Government Reform Committee. The hearing was titled “The National Archives’ Ability to Safeguard the Nation’s Electronic Records.” The IG’s testimony focused on recent incidents where NARA’s actions exposed or potentially exposed Personally Identifiable Information (PII), including the loss and mishandling of several computer hard drives. The IG also discussed concerns with the ERA system.

### **Federal Information Security Management Act (FISMA) Reporting**

As required by the Federal Information Security Management Act (FISMA), the OIG completed an evaluation to determine the effectiveness of NARA’s information security program and practices. NARA officials have made several improvements in information security during FY 2009. However, many of the information technology (IT) security weaknesses identified in the 2008 Audit of the NARA’s Compliance FISMA (OIG Audit Report No. 08-05), had not been addressed. Specifically, all 21 recommendations remained open because management had not completed recommended actions or actions taken did not address the intent of the recommendations.

Additionally, during the FY 2009 evaluation we observed the following: (a) NARA’s IT Security Policies need to be strengthened, particularly in the areas of oversight of contractor systems, plans of actions and milestones (POA&M), protection of privacy-related information, configuration management, and security training of employees with significant IT security responsibilities; (b) weaknesses continued in NARA’s Certification and Accreditation (C&A) process for the security of IT systems; (c) weaknesses continued in the internal and external reporting of incidents, including proper notifications to the OIG in accordance with policies and procedures; and (d) improvements were still needed in the agency’s Privacy program and the protection of personally identifiable information (PII). Specifically, technical controls, such as two-factor authentication and encryption of portable devices were not fully implemented during FY 2009.

### **Reporting on the Missing Hard Drive Containing Information from the Clinton White House**

The OIG investigation into the circumstances surrounding a missing external computer hard drive containing approximately two terabytes of material from the Clinton White House was completed during this reporting period. The House Oversight and Government Reform Committee requested a copy of the Report of Investigation. This report detailed the lack of appropriate security and controls over the hard drive.

# AUDITS

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## Overview

This period, we issued:

- four final audit reports, and
- four management letters.<sup>1</sup>

We completed fieldwork on the following audits:

- an audit of NARA's Network Infrastructure to determine whether NARA had effectively implemented appropriate physical security and access controls to protect network resources
- an audit of NARA's Information Technology and Telecommunications Support Services contract to determine if (a) the procurement was accomplished in accordance with the FAR requirements, and (b) management officials adequately monitor contractor efforts, to ensure the government gets good value for the funds expended on the contract
- an audit of the NARA's Performance Measurement Data to assess the accuracy and reliability of performance data entered into NARA's Performance Measurement Reporting System and reported to OMB, and
- an audit of the Process for Providing and Accounting for Information Provided to Researchers to determine whether controls were in place for ensuring requested records were properly accounted for when requested and returned to storage locations.

We continued work on the following assignments:

- an audit of NARA's Oversight of Selected Grantees' Use of Grant Funds to determine whether management controls are adequate to ensure (1) grants are properly administered, (2) grant goals and objectives are adequately met, and (3) grant funds are adequately accounted for and expended
- progress reviews of the Electronic Records Archives development to report progress to ERA stakeholders including achievements, challenges, risks, and concerns
- an audit of NARA's Movement of Freight Shipments to assess whether controls are effective and efficient to ensure that NARA obtains the best value and most economical prices for the movement of freight
- an audit of the NARA's NARANET Server Upgrade Project to determine whether the project was developed in accordance with NARA requirements and that system

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<sup>1</sup> Management letters are used to address issues, not resulting from an audit, which need to be quickly brought to the Archivist's or management's attention.

# AUDITS

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development is adequately managed and monitored to ensure requirements are met in the most economical and efficient manner, and

- an audit of the Trusted Internet Connections Initiative at NARA to determine whether the agency is prepared to meet and comply with the goals of this OMB initiative.

## Audit Summaries

### **Oversight of Electronic Records Management in the Federal Government**

The objective of our audit was to determine whether established controls provide adequate assurance permanent electronic Federal records are identified, scheduled, and accessioned into NARA in fulfillment of NARA's statutory obligations.

Specifically, we found NARA cannot reasonably ensure electronic records designated as "permanent" are being adequately identified, maintained, and transferred to NARA in accordance with Federal regulations. While NARA is working toward improving electronic records management in the Federal Government, mainly through the development and promulgation of regulations and guidance for the proper management of these records, significant deficiencies remain. We identified the following factors as contributing to this condition: (a) NARA does not have a fully integrated program for adequately addressing electronic records management (ERM); (b) NARA lacks systematic information on government-wide ERM practices and compliance with electronic record regulations, guidance and policies; including a program supporting inspections of the record keeping programs and practices of Federal agencies; (c) the universe of electronic records and electronic recordkeeping systems has not been adequately identified, and; (d) NARA lacks an approach to adequately identify possible gaps in scheduled permanent electronic record accessions.

As a result, permanent records which are born and remain digital throughout their lifecycle are at increased risk of loss, thereby denying their future use to the American public. These historically significant and valuable records are not being adequately identified, effectively managed and monitored, and aggressively targeted. Electronic records of our democracy being born digitally are being put to their grave without a tombstone offering evidence they ever existed. It is our opinion this condition represents a Material Weakness<sup>2</sup> because it significantly affects NARA's ability to fulfill its role as records manager for the Federal Government and adversely impacts its mission of safeguarding and preserving essential and important records of the nation. The lack of a robust and comprehensive program, including appropriate and adequate internal controls, for the management of electronic records impedes NARA's efforts to identify, capture, and ultimately make available the permanent electronic records of the Federal Government.

Managing and preserving records in the digital age presents a unique set of challenges not just for NARA but for all Federal agencies. Managing electronic records, given their explosive

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<sup>2</sup> A Material Weakness in NARA programs is formally defined as a condition that has a significant impact on NARA's ability to perform its mission.

# AUDITS

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growth in volume, creates challenges for finite resources. The proliferation of formats poses technological challenges associated with ensuring records can be preserved and used years into the future. Changes in technology create issues concerning the integrity and authenticity of records created and maintained in electronic format. Finally, the business models for managing records in a paper-based environment are no longer adequate and must be replaced by policies and procedures adapted for records management in the digital age. It is incumbent upon NARA, whose mission is to safeguard and preserve the records of our Government, to meet the challenges associated with managing records in the digital age and to take the actions necessary to ensure electronic records are identified, scheduled, preserved, and made accessible for as long as their value dictates.

NARA has tended to focus its records management efforts on developing regulations, issuing guidance, and providing training to Federal agency officials. There have been few inspections, and oversight and enforcement have been undertaken primarily in response to problems identified in the press or through other sources. Thus, NARA has not independently undertaken adequate measures to proactively identify deficiencies. However, this view of NARA's role and responsibilities may be changing. In responding to the U.S. Senate Committee on Governmental Affairs pre-hearing questions on his nomination, the recently appointed Archivist indicated NARA needs to take more of a leadership role in electronic records management and has responsibility not only for developing and issuing records management policy, but also for ensuring records management standards are met.

NARA continues to address the challenges presented by electronic records, including (1) providing electronic records management guidance in 36 CFR Chapter XII; (2) developing and promulgating supplemental guidance on electronic records management via bulletins, white papers, best practices, and Frequently Asked Questions, and; (3) performing targeted studies and evaluations of electronic records management issues and technologies. In addition, during the conduct of field work for this audit, NARA established the Integrated Electronic Records Program (iERP) Task Force responsible for developing a program structure intended to allow NARA to successfully function and meet its statutory responsibilities in the digital age. NARA has also initiated its first government-wide data collection effort in an attempt to establish baseline records management data for all agencies. However, these actions do not adequately mitigate the weaknesses cited in this report which serve as the basis for our determination that Electronic Records Management should be identified as a Material Weakness. We made seven recommendations for program improvement. Management concurred with recommendation one and requested recommendations two through seven be held in abeyance until recommendation one has been addressed. (OIG Report #10-04, dated April 2, 2010.)

## **Search Engine Analysis for the Online Public Access to the Electronic Records Archives**

This audit was performed to advise the Archivist of the current status of the Base Electronic Records Archives (ERA) Program and focused on the adequacy of the selection process for choosing the search engine for public access to ERA.

# AUDITS

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Our review found the selection process for choosing the search engine to provide public access to the Electronic Records Archives (ERA) was inadequate. Specifically we identified ERA program officials did not independently test or analyze the search engine prior to its selection. Instead, NARA relied exclusively on the recommendation of the NARA ERA contractor staff. NARA ERA program officials could not provide OIG auditors with sound and transparent documentation to validate the selection of the search engine for the largest IT project ever undertaken by this agency, and one that will impact all NARA stakeholders for the foreseeable future. NARA's *IT Architecture Systems Development Guidelines* require that after evaluating commercial off-the-shelf products, the findings must be documented and justification provided for any particular item in the recommendation process. In this case, NARA accepted the ERA contractor's selection to the exclusion of other vendors and search engines based upon incomplete analysis, and devoid of actual hands-on testing by ERA technical staff. Thus, the selection process was flawed and the impact upon future deployment of the ERA is unknown.

At a key decision point in the development of the ERA System, the public access search engine was selected without any documentation prepared by the NARA ERA Program Office to indicate who made the decision or the rationale used for the selection. According to the Director of ERA's Systems Engineering Division, in March 2009 NARA's ERA contractor was tasked with researching and analyzing commercial search engine products and making a recommendation to NARA.

OIG auditors sought documentation defining the basis for the vendor selection. Responsible ERA Program officials referred to a trade study of search engines prepared by the ERA contractor in 2007. We reviewed this study and identified that the vendor selected by the ERA contractor was not included in the deliverable as a potential search engine candidate. The OIG staff was also provided a copy of a 2009 trade report crafted by Gartner Inc. which identified leaders in the search-engine field. In 2009, per the ERA Systems Engineering Director, the ERA contractor brought in 10 to 12 vendors who provided demonstrations, some of which were reportedly attended by NARA ERA program staff but not the Systems Engineering Director or Program Director. After the demonstrations, the list of potential vendors was narrowed to three. Then, the ERA contractor developed a list of questions for these three vendors that contained weighted criteria areas such as vendor viability and product functionality. Subsequently, the NARA ERA contractor selected one of the three vendors. The Director told us that he is not aware of anyone at NARA expressing concerns with the selected vendor, and that his engineering staff talked with the vendor to clarify technical questions and to obtain a demo license. However, to reiterate, at the point of selection no evidence exists that ERA technical staff had actually tested the product selected to assess functionality and capacity specific to unique ERA requirements.

In August 2009, after ERA staff had reportedly validated the NARA ERA contractor's selection we attended a demonstration at the ERA contractor's facility in Greenbelt, MD. The ERA contractor officials responsible for the selection presented an overview of the selected product's search capabilities. We requested a demonstration of the actual testing that had been performed on NARA records encompassing those of the Revolutionary War that the ERA contractor had reportedly ingested into the test bed. Keyword text searches we requested such as "Boston Tea Party", "Boston" and "George Washington" came back with no results. Thus the demonstrated



# AUDITS

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ability of the product selected to function with sample ERA-like data failed. The ERA contractor official subsequently attributed this condition to the fact that he had just ingested the sample data into the system the night before and had not attempted to conduct queries such as the one we requested prior to the demonstration. Notwithstanding this fact, the product selected had already been recommended to the exclusion of other search engines by these very engineers.

OIG auditors asked the ERA Systems Engineering Director what internal documentation there was to support the search engine analysis and selection; he stated there may be some minutes of meetings with the ERA contractor and an e-mail message notifying the ERA contractor of the search engine selection. To date these minutes have not been produced and provided to OIG staff. Due to the fact the demonstration searches did not yield any results, we asked ERA officials what independent analysis, if any, they performed on the selected search engine. The ERA Systems Engineering Director told us he had a copy of the search engine which he reviewed for functionality, but had not tested it using actual ERA data.

On January 12, 2010, we met with Director of the ERA Program and the ERA Systems Engineering Director to determine if any further analysis of the selected search engine was performed after the demonstration we attended in August 2009. The ERA Systems Engineering Director stated no further testing or analysis was conducted due to lack of resources and his belief he had no standing in this regard, that the selection of the ERA search engine was the responsibility of the ERA contractor under their contract. He further stated that if NARA would have to move to a different search engine it would likely be costly and technologically difficult. In our opinion, ERA officials should have exercised due diligence over the selection of this important system component by independently conducting their own tests and analyses prior to its selection, and not relying solely on the contractor's analysis. The rationale for not doing so, based upon inadequate internal ERA staffing and resources for a project of this scope, is troubling. (Audit Report# 10-03, dated January 28, 2010.)

## **National Historical Publications and Records Commission (NHPRC) Grant No. 2004-026**

The objectives of this audit were to determine whether (1) funds utilized were expended in accordance with Federal guidelines and (2) NARA objectives for issuing the grant were accomplished. The performance objective of the grant project was to complete and publish the final two volumes of an eight-volume research and historical preservation project.

Although the grant objectives were met, we questioned the entire Federal grant award of \$762,320 provided due to lack of documentation/timesheets supporting labor cost. The grant agreement identified that all Federal funds were used for labor expenses. The grantee was unable to provide required personnel activity reports or timesheets to support labor expenses reportedly incurred. Grantee personnel stated they were unaware timesheets were required and, thus, did not have a process to record and document their labor costs even though this requirement was stipulated in the grant award. OMB Circular A-122 states the distribution of salaries and wages to Federal awards must be documented by personnel activity reports (timesheets). As a result of the grantee's non compliance with Federal regulations, we were unable to determine the validity of Federal funds paid.

# AUDITS

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During the audit we interviewed the grantee Director, Assistant Director, and Project Director. All three have been involved with the history of this grant which spans 29 years and all stated they were unaware timesheets were required. Both the grantee Director and Assistant Director stated they were aware of Federal regulations associated with grant funding as these regulations were identified in their grant agreement. However, both readily admitted they did not read the applicable regulations.

Federal funds were used to pay most of the salaries and wages of three full-time employees and one part-time employee. All employees reportedly worked on the grant project exclusively and were paid a predetermined salary. The grantee Project Director stated she monitored the hours and productivity of the staff working on the grant project. However, without timecards for review, we were unable to determine whether employees were consistently working full-time on the project.

OMB Circular A-122 Appendix B paragraph (8) (m) entitled *Support of salaries and wages*, states activity reports must be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards and must have the following attributes: a) reflect an after-the-fact determination of the actual activity of each employee (budget estimates do not qualify); (b) must account for the total activity for which employees are compensated; (c) must be signed by the individual employee, or by a responsible supervisory official; and (d) must be prepared at least monthly and must coincide with one or more pay periods. As a result of SCHS's omission to specifically account for labor costs according to Federal regulation, we question all of the costs for labor expenses.

We provided a copy of our audit report to management for resolution. Management reviewed our report, spoke with the grantee and concluded that sufficient evidence existed to substantiate that the Federal funds granted were used in an appropriate manner by the grantee and that there was no reason to consider seeking recovery of any of the funds. Additionally, management indicated that steps would be taken in the future to prevent additional occurrences of this event. (Audit Report #10-01, dated October 26, 2009)

## **Audit of NARA's Fiscal Year 2009 Financial Statements**

Cotton & Company LLP (C&C), a public accounting firm, audited NARA's consolidated balance sheets as of September 30, 2009, and the related statement of net cost, changes in net position and budgetary resources, for the year then ended.

C&C issued NARA an unqualified opinion on NARA's FY 2009 financial statements. This is the fourth year in a row NARA received an unqualified opinion. For FY 2009, C&C reported two significant deficiencies in internal control over financial reporting in the areas of Personal Property and Information Technology resulting in 18 recommendations that, if implemented, should correct the matters reported. C&C disclosed no material weaknesses and no instances of noncompliance with certain provisions of laws and regulations. Management concurred with the recommendations.

# *AUDITS*

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We monitor C&C's performance of the audit to ensure it is conducted in accordance with the terms of the contract and in compliance with GAO-issued Government Auditing Standards and other authoritative references, such as OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements. We are involved in the planning, performance and reporting phases of the audit through participation in key meetings, discussion of audit issues, and reviewing of C&C's work papers and reports. Our review disclosed no instances wherein C&C did not comply, in all material respects, with the contract or Government Auditing Standards. (Audit Report #10-02, dated December 11, 2009.)

# ***INVESTIGATIONS***

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## **Investigations Overview**

During this reporting period, the Office of Investigations (OI) opened 10 investigations and closed 18 investigations, three of which are closed pending an administrative response from NARA. The OI also received 46 complaints and closed 33 complaints, four of which are closed pending an administrative response from NARA. Three NARA records were recovered during the period. Additionally, the OI worked with the State Department's Diplomatic Security Service, the Federal Protective Service, the Department of Justice's Computer Crime and Intellectual Property Section, the FBI, the U.S. Secret Service, the Postal Inspection Service and the Offices of Inspectors General at the Veterans Administration, the General Services Administration, the Department of Labor, and the Small Business Administration. At the close of the period, there remained 39 open complaints and 35 open investigations.

## **Updates on Previously Reported Investigations**

### **Alleged Wire Fraud, Theft of Public Money, Money Laundering**

A former NARA employee and a former NARA contractor, who are alleged to have stolen nearly \$1 million from NARA, have been indicted by a Federal grand jury in the District of Maryland. Arrest warrants were subsequently issued and executed. Both subjects have made their first appearances in court, and the NARA OIG seized two vehicles belonging to the former contractor. Prosecutorial determinations are pending.

### **Mishandling of Classified Documents**

Continuing security violations at the Washington National Records Center (WNRC) prompted the Office of Inspector General to initiate an investigation in the interest of national security. Pursuant to the completion of an inventory at NARA's Suitland facility of Top Secret and/or Restricted Data materials, 84 boxes of TS/RD material remain missing. This investigation remains open and ongoing.

### **Counterfeit/Grey Market IT Contract Fraud**

An IT contractor provided NARA with counterfeit and "grey market," or resold, equipment in violation of the contract terms. The case has been accepted for prosecution by an Assistant United States Attorney for mail and wire fraud, as well as false claims. The investigation remains ongoing.

### **Lost/Stolen Presidential Records**

Four folders containing negatives of Clinton Presidential photographs were lost after a request for the photographs was processed at the William J. Clinton Presidential Library. This investigation was not resolved. While violations of NARA policy related to the security of NARA holdings were substantiated, the missing folders were not recovered. Library staff were counseled on NARA policy.

# ***INVESTIGATIONS***

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## **Security Clearance Suitability**

During the reporting period, the OIG learned of multiple NARA employees who had previously traveled to a country with which the United States does not have full diplomatic relations. The case was referred to OIG to ensure the travel was authorized and did not constitute a violation of U.S. law or raise suitability issues regarding any employees' security clearance. Investigative results were given to NARA management, and ultimately no administrative actions were taken.

## **Mismanagement at a Presidential Library**

The OIG received allegations of financial mismanagement at a Presidential library. The OIG, working with NARA's Office of Presidential Libraries, which had conducted its own internal financial review, found no wrongdoing on the part of NARA officials.

## **Stolen/Missing Clinton hard drive**

A two-terabyte hard drive used to back up records from the Clinton Administration was discovered missing. Working with NARA, the OIG began analyzing another copy of the hard drive, which was determined to contain a voluminous amount of sensitive and privacy-related information. The OIG conducted a forensic analysis of the drive for classified information. Some documents classified at the SECRET level were discovered and referred to NARA for a current classification review and status determination. The missing drive was not recovered. Three NARA employees were suspended due to the ineffective security posture surrounding the drive.

## **Indecent Exposure**

During the previous reporting period, OIG received a report of a naked male seen at the National Archives Building in Washington, DC. OIG's investigation determined the identity of the subject, who is a NARA employee. The employee initially denied any wrongdoing, but ultimately confessed to removing his clothes while in a NARA research room library on this occasion and to the same conduct in and around NARA office space on an earlier occasion. The case was referred to the Washington, DC Attorney General and is scheduled for prosecution during the next reporting period. As of the close of this reporting period, we have been informed that no administrative action has been taken against the subject. He remains on duty.

## **New Investigation Highlights**

### **Shoplifting**

A woman was arrested at the JFK Presidential Library in Boston for shoplifting from the library's gift shop. The subject was charged with violating Massachusetts law. Prosecution is pending.

### **Sending Threatening Letters**

A Rhode Island resident was investigated for sending threatening letters to NARA employees in St. Louis. The Office of Investigations worked with local law enforcement, as well as the U.S. Postal Inspection Service to investigate the case. The allegations were substantiated. An Assistant United States Attorney declined prosecution.

# **INVESTIGATIONS**

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## **Improper Disposal of Computer Tapes**

A complaint alleged that sensitive information collected on computer tapes at NARA was subject to compromise due to NARA's failure to adequately control the destruction of the tapes. Our investigation revealed that NARA had no adequate or uniform policy in place to address the issue of how to securely destroy old tapes and protect the information on them. A management letter addressing this issue is pending.

## **Obstruction of Audit/Criminal Investigation**

Contractors being interviewed as part of an audit and criminal investigative process informed the OIG that a NARA employee had expressly prohibited the contractors from communicating with the OIG. The allegations were substantiated and the subject was advised not to interfere with the OIG's communications with contractors. Upon explanation of the laws and regulations governing such conduct, the NARA employee removed the prohibitions on communication. An Assistant United States Attorney declined prosecution.

## **Conflict of Interest**

An anonymous complainant accused NARA personnel of willingly allowing a close personal relationship with a contractor to influence decisions and actions on a NARA IT support contract. This investigation determined that the subject NARA employee was not an evaluation team member or technical advisor during the proposal evaluation process. An Assistant United States Attorney declined prosecution.

## **Misuse of Government Credit Card**

NARA's Financial Services Division notified the OIG of questionable charges on an employee's Government Travel Card. When interviewed, the subject made multiple false statements to NARA staff, and criminal investigators, before admitting culpability. An Assistant United States Attorney declined prosecution, and the case was referred to NARA for administrative action.

## **False Billing**

The subject company was initially investigated for allegations of a bid-rigging scheme to steer government contracts to itself and its alleged co-conspirators. While that charge was not substantiated and prosecution was declined by an Assistant United States Attorney, a civil case is pending for an outstanding debt of more than \$250,000 owed to NARA.

## **Grant Fraud**

The National Historical Publications and Records Commission (NHPRC) informed the OIG of a possible misuse of Federal grant funds by a NARA grantee. OIG investigators and audit staff substantiated that the grantee, under the direction of its Executive Director, misused Federal grant funds. This investigation did not reveal direct evidence to support intentional misuse of Federal grant funds by any employee or contract employee of the grantee. However, the evidence suggests particular grantee staff were aware their actions relating to the NARA grant funds were inappropriate. The details of this case were presented to an Assistant United States Attorney who declined prosecution of this case due in large part to the small amount of funds misused.

# ***INVESTIGATIONS***

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## **IT Intrusion**

A NARA server located in Rocket Center, West Virginia, was accessed without authorization. A log examination revealed evidence of human intervention and the case was referred to the OIG. An OIG investigation revealed the server was accessed without authorization by an unidentified individual to act as a platform to launch further attacks against other machines and not for deliberately infiltrating a government network or to access government data. The Department of Justice (DOJ) Computer Crimes and Intellectual Property Section (CCIPS) declined this case for prosecution.

## **Holdings Security Assessment**

The Office of Investigations conducted a proactive holdings security assessment designed to test the balance between access to and security of our nation's historical records. The results of the assessment, along with observations made, were provided to NARA management via management letter.

## **Other Office of Investigation Activity**

### **Archival Recovery Team**

During this period, the Archival Recovery Team (ART) fielded 11 complaints and opened two investigations. Eight complaints and three investigations were closed. In addition, three non-criminal ART cases were referred to NARA for a recovery determination. At the close of the period, 22 ART complaints and five ART investigations remained open. Three NARA holdings were recovered during the period.

**Social Media:** The ART has begun to proactively explore the use of new social media and continues to develop an ART focused Facebook page reflecting the mission of the ART at NARA. The page is slated for launch in the next reporting period and will highlight the stories behind documents and artifacts that have been alienated from NARA's holdings. The site will also update Facebook visitors about upcoming shows and happenings with the ART, along with other newsworthy items about document thefts, investigations, and recoveries at other institutions.

**Records Review:** During this period, the ART began a proactive initiative to examine records series containing documents authored by prominent Government officials or documents deemed historically valuable. These are records which have undergone preservation treatment or been removed from archival stacks for exhibition purposes. They provide a known inventory from which the ART can assess storage and security measures for these records, as well as whether any are missing. Highlights of this initiative include examinations of reports authored by Civil War officers David Farragut, David Dixon Porter, and Braxton Bragg; encounter reports created by World War II fighter aces; and correspondence sent to the Chief of Ordnance by George S. Patton and Douglas MacArthur.

# ***INVESTIGATIONS***

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**Outreach:** As part of the ART's outreach program targeting individuals and groups who may have interactions with historic records, Office of Investigations staff manned displays at the following shows to educate the public about the NARA OIG and ART:

- In October 2009, ART members attended and displayed at the Autumn Gettysburg Antique Gun & Military Show, which included dealers in Civil War, WWI and WWII memorabilia.
- In December 2009, ART members attended and displayed at the 22nd Annual Middle Tennessee Civil War Show at Nashville, TN.
- In February 2010, ART attended the Civil War show in Dalton, Georgia.

## **Computer Crimes Unit**

During the reporting period, the Computer Crimes Unit (CCU) provided digital forensic support to numerous criminal investigations. The CCU participated in the execution of a search during which a forensic image was obtained from a computer workstation. The CCU also performed forensic examination of other digital evidence including internal hard drives, external hard drives, and restored email. In addition to supporting criminal investigations, the CCU also devoted a significant amount of time during this reporting period examining digital media to assess NARA's exposure resulting from the loss of digital media containing Personally Identifiable Information (PII) and other sensitive information. The CCU also investigated the unauthorized access of a NARA server on a Department of Defense network. The CCU also purchased a variety of equipment to enhance the capabilities of the OIG computer laboratory.



# INVESTIGATIONS

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## OIG Hotline

The OIG Hotline provides a confidential channel for reporting fraud, waste, abuse, and mismanagement to the OIG. In addition to receiving telephone calls at a toll-free Hotline number and letters to the Hotline post office box, we also accept e-mail communication from NARA's internal network or the Internet through the Hotline e-mail system. Walk-ins are always welcome. Visit <http://www.archives.gov/oig/> for more information, or contact us:

- **By telephone**  
Washington, DC, Metro area: (301) 837-3500  
Toll-free and outside the Washington, DC, Metro area: (800) 786-2551
- **By mail**  
NARA OIG Hotline  
P.O. Box 1821  
Hyattsville, MD 20788-0821
- **By e-mail**  
[oig.hotline@nara.gov](mailto:oig.hotline@nara.gov)
- **By online referral form**  
<http://www.archives.gov/oig/referral-form/index.html>

The Office of Investigations promptly and carefully reviews calls, letters, and e-mail to the Hotline. We investigate allegations of suspected criminal activity or civil fraud and conduct preliminary inquiries on non-criminal matters to determine the proper disposition.

Where appropriate, referrals are made to the OIG audit staff, NARA management, or external authorities. Hotline contacts are captured as complaints in the Office of Investigations. The following table summarizes complaints received and Hotline activity for this reporting period:

Complaints received	46
Complaints closed pending response from NARA	4
Complaints closed final	29
Complaints open to Investigations	4

## Contractor Self Reporting Hotline

To comply with the self-reporting requirements in the Federal Acquisition Regulation, a web-based form has been created to allow NARA contractors to satisfy the requirement they notify the OIG, in writing, whenever the contractor has credible evidence that a principal, employee, agent, or subcontractor of the contractor has committed a violation of the civil False Claims Act or a violation of Federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations in connection with the award, performance, or closeout of a contract or any related subcontract. The form can be accessed through the OIG's home page, or found directly at: <http://www.archives.gov/oig/contractor-form/index.html>

# ***AGENCY SIGNIFICANT DEFICIENCIES***

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## **OIG-Identified Program and Operational Significant Deficiencies**

The OIG, through audit and investigative work, identified the following program and operational significant deficiencies. These deficiencies result in Material Weaknesses<sup>3</sup> because they severely hamper the agency's ability to carry out its mission and achieve strategic goals. As such, it is important for OMB and the Congress to be apprised of these deficiencies and agency actions to address them in order to ensure they receive proper attention. Without appropriate risk management and risk mitigation strategies, including adequate resources, NARA cannot ensure it effectively accomplishes its mission.

### **Oversight of Electronic Records Management**

During this reporting period, OIG audit report #10-04, NARA's Oversight of Electronic Records Management in the Federal Government (April 2, 2010), found that NARA did not have adequate controls in place to protect permanent Federal electronic records from loss. Specifically, NARA cannot reasonably ensure permanent electronic records are being adequately identified, maintained, and transferred to NARA in accordance with Federal regulations. We identified the following factors contributing to this condition: (a) NARA does not have a fully integrated program for adequately addressing electronic records management (ERM); (b) NARA lacks systematic information on government-wide ERM practices and compliance with electronic record regulations, guidance and policies – including a program supporting inspections of the record keeping programs and practices of Federal agencies; (c) the universe of electronic records and electronic recordkeeping systems has not been adequately identified, and; (d) NARA lacks an approach to adequately identify possible gaps in scheduled permanent electronic record accessions. As a result, permanent records which are born and remain digital throughout their lifecycle are at increased risk of loss, thereby denying their future use to the American public. Because this condition significantly affects NARA's ability to fulfill its role as records manager for the Federal Government and adversely impacts its mission of safeguarding and preserving essential and important records, our report identified this area as a material weakness.

### **Holdings Processing**

In February 2007, the OIG issued an audit report<sup>4</sup> finding NARA was constrained in its ability to provide efficient and effective access to, and information about, textual records in NARA's custody as the result of large backlogs of inadequately processed records. At the time of our audit nearly 65 percent of NARA's textual records were not adequately processed, and the cost associated with fully processing these records was estimated to be \$1.5 billion, approximately three times NARA's annual budget. Because these backlogs impeded NARA's ability to perform its mission of providing access to records as soon as legally possible, and our audit revealed the need for additional controls, our report identified processing as a Material Weakness. An agency-initiated study agreed with our assessment of the impact of backlogs on

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<sup>3</sup> Material Weakness as defined in OMB A-123, Management's Responsibility for Internal Control

<sup>4</sup> OIG Report No. 07-06, Audit of the Processing of Records Accessioned into NARA (February 28, 2007).

# ***AGENCY SIGNIFICANT DEFICIENCIES***

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NARA's ability to perform its mission. This study stated less than half of the holdings at Archives I and II (where the majority of NARA records reside and which draw the heaviest researcher use) were controlled at a level of detail enabling researchers to quickly identify records relevant to their interests. Further, more than one-third were controlled at such a basic level that even experienced NARA staff had difficulty determining whether they contained information which may be responsive to a researcher's request. Despite this, the agency never reported Processing as a Material Weakness via the Federal Managers Financial Integrity Act (FMFIA) reporting process.

*Current Status:* The OIG still believes this to be a Material Weakness and has informed management via the annual FMFIA process the prior two years. While the processing backlog has been reduced from 65 percent to 57 percent of NARA's textual holdings<sup>5</sup>, it still represents a significant obstacle to NARA's mission. Additionally, recommendations made in our original audit report, aimed at remedying identified weaknesses and strengthening internal controls, have yet to be fully implemented. Finally, unless NARA is successful in obtaining additional resources or improving productivity, significant backlogs will remain into the foreseeable future as textual records continue to be accessioned into NARA. According to the most recent management report, NARA has already processed and described the records which can easily be done, but NARA will have difficulty meeting future processing goals unless additional resources are obtained.

## **Holdings Preservation**

In June 2005, the OIG issued an audit report identifying resource and reporting deficiencies associated with NARA's ability to preserve its holdings<sup>6</sup>, and declared these deficiencies to be a Material Weakness. Specifically, the audit identified: (a) items needing preservation had not been identified; (b) staffing was inadequate for addressing preservation needs in a timely manner; (c) there was no criteria for assessing preservation needs/item condition; (d) some NARA facilities did not meet minimum environmental standards for the preservation of records, and; (e) preservation performance data was inaccurate. NARA declared Preservation a Material Weakness in their FY 2005 FMFIA statement. However, in FY 2006 NARA removed this designation despite our objections that the agency had not yet implemented recommendations contained in the 2005 audit report. Specifically, the agency had not initiated sufficient controls to reasonably ensure items needing preservation were identified and preserved in a timely manner, and preservation backlogs were still substantial at 65 percent of holdings.

*Current Status:* Progress has been made in addressing the recommendations contained in the FY 2005 audit report. NARA has quantified and requested the funding necessary to bring its current facilities up to the environmental standards for the storage of permanent textual records. Information on the condition of our holdings is being collected, and additional resources to preserve these holdings are being requested. Important to this effort, much needed uniform criteria for risk assessment and rating have been developed and implemented agency-wide.

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<sup>5</sup> NARA's metric does not correlate to any specific unit of measure, such as cubic feet of records, but instead is an index across NARA's three main offices and represents the general amount of holdings unprocessed.

<sup>6</sup> OIG Report No. 05-13, Evaluation of NARA's Preservation Program (June 22, 2005).

# ***AGENCY SIGNIFICANT DEFICIENCIES***

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Uniform protocols for physically working with records are also now in place. Additionally, a new system developed to centralize information collection and reporting for a majority of NARA's records is being rolled out. However, some work remains to be done. Much of the system, including implementation of priorities and resource allocation, is still generally segregated by office, preventing agency-wide strategic decision making and complete uniformity of data management. Importantly, as Management has reported, additional resources are necessary in order to successfully meet future preservation goals. At the end of the second quarter of FY 2010, the majority of NARA's holdings (almost 65 percent) were identified as "at risk." While the Preservation Program has made significant strides, the volume of records "at risk" materially constrains NARA's ability to accomplish its mission of safeguarding and preserving the records of our Government.

## **Information Technology Security Program**

In FY 2005 we supported the removal of a Material Weakness in Information Technology (IT) Security first identified in FY 2000. At the same time we expressed concerns about the state of NARA's IT Security environment and indicated additional audit work focused on this area would be performed in FY 2006. In FY 2006 we performed several IT Security related audits, including an audit of NARA's Information Security Program and its adherence to Federal Information Security Management Act (FISMA) standards<sup>7</sup>, which found a number of concerns. Based on the body of IT Security audit work performed in FY 2006 the OIG informed the Archivist a new IT Security Material Weakness should be declared. NARA declined reporting this as a Material Weakness in their FY 2006 assurance statement. In FY 2007 NARA reported IT Security as a Material Weakness based on the results of a Program Review for Information Security Management Assistance (PRISMA) review performed by an NH contractor. The OIG responded we agreed with the declaration of IT Security as a Material Weakness; however we believed the Material Weakness was too narrowly focused and failed to include weaknesses identified in several OIG work products. We conveyed to the Archivist IT security concerns in nine additional IT areas which we believed needed to be addressed before the IT Security Material Weakness could be downgraded.

*Current Status:* In FY 2009 the agency reported it was downgrading the IT Security Material Weakness declared in FY 2007 based on significant accomplishments in addressing concerns identified in the PRISMA review. The OIG evaluated material submitted by the agency in support of this claim and found sufficient action had been taken on only two of the 34 recommendations contained in the review. Audit work confirmed continued IT Security weaknesses in the nine areas first identified by the OIG in FY 2007. During this reporting period NARA provided a plan for addressing their IT Security issues; it has not yet been evaluated by the OIG, nor has it been fully implemented by NARA. While the plan may or may not address the full universe of NARA's IT Security deficiencies, they still currently exist compromising NARA's IT operating environment and leaving NARA vulnerable to attack. For these reasons we believe IT Security should remain a Material Weakness.

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<sup>7</sup> OIG Report No. 06-09, Review of NARA's Information Security Program (August 8, 2006).

# ***AGENCY SIGNIFICANT DEFICIENCIES***

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## **Artifact Inventory Controls at Presidential Libraries**

In October 2007, NARA's OIG issued a report identifying internal control weaknesses associated with NARA's stewardship and management of Presidential artifacts at its network of Presidential libraries.<sup>8</sup> Specifically, we identified weaknesses adversely impacting NARA's ability to account for, control, safeguard, and preserve Presidential artifacts. We believed the deficiencies were significant enough to warrant a Material Weakness. NARA declared a Material Weakness in inventory controls over artifacts at Presidential libraries in FY 2007 and continued to treat it as such in FY 2009.

*Current Status:* In FY 2009 NARA continued reporting this as a Material Weakness. The OIG was informally provided with information supporting management action taken to address findings contained in the report. The OIG is currently evaluating information provided by management to determine if they support closing recommendations contained in the report.

## **Holdings Security**

Based on the results of OIG investigations into the theft of NARA holdings, NARA declared a Material Weakness in Holdings Security in FY 2001. While NARA continues to address this area through a number of initiatives, the OIG continues to investigate thefts of NARA holdings, and recent audits have identified weaknesses in controls associated with holdings security, highlighting the need for additional management action in this area.

*Current Status:* In FY 2009 NARA continued reporting holdings security as a Material Weakness. NARA has begun to staff the recently created holdings protection program and conduct a risk assessment of its controls in FY 2010. However, current proactive investigations have revealed significant weaknesses in this area.

## **IT Implementation of PII Protections**

In FY 2009 NARA declared a Material Weakness related to the security of NARA-owned IT storage devices. Ongoing OIG investigations of data breaches involving NARA equipment support this conclusion. However, the nature of some of these breaches point to a problem not only with IT controls, but also with physical controls over IT equipment and policies governing how NARA handles and prepares paper documents released to the public.

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<sup>8</sup> OIG Report No. 08-01, Audit of the Process of Safeguarding and Accounting for Presidential Library Artifacts (October 26, 2007).

# ***TOP TEN MANAGEMENT CHALLENGES***

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## **Overview**

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**

NARA's mission with the Electronic Records Archives (ERA) is to build a system accommodating the government's vast amounts of electronic records stored in past, present, and future formats. Electronic records are vital to how our government works, and their preservation through the ERA will define what information future generations will be able to access and use. 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 even then the program functions at IOC were reduced from initial requirements. Also, the component to handle all White House records, the Executive Office of the President (EOP) System, was segregated out due to delays and pursued down a separate line of programming. The EOP System achieved IOC in December 2008, and all "priority" data was planned to be loaded into the system by March 2009. However, the EOP System is not able to handle or ingest any classified records. Moreover, due to issues with the data received from the White House, the "priority" data was not loaded into the EOP System until September 2009, and a small number of these files are still not loaded. The base ERA program is also experiencing 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 system, and system access to additional agencies or offices. 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 scheduled for 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 to preserve and provide access to our nation's electronic records for as long as needed.

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

Part of NARA's mission is safeguarding and preserving the records of our government, thereby ensuring people can discover, use, and learn from this documentary heritage. NARA provides continuing access to the essential documentation of the rights of American citizens and the actions of their government. The effective management of these records 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, in both traditional and electronic formats. 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, particularly e-mail, proliferate. In short, while the ERA system is intended to work with electronic records received by NARA, we need to ensure the proper electronic and traditional records are in fact preserved and sent to NARA in the first place.

# ***TOP TEN MANAGEMENT CHALLENGES***

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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 their permanent electronic records to NARA, in an increasing variety of data types and formats. In June 2008, GAO recommended NARA develop and implement an approach to provide oversight of agency electronic records management programs to provide adequate assurance that NARA guidance is effective and the 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.

IT security continues to present major challenges for NARA, including physical security of IT hardware and technical vulnerabilities within our electronic systems themselves and how NARA operates them. The confidentiality, integrity, and availability of our electronic records and information technology systems are only as good as our IT security infrastructure. Each year, 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.

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

The records of a democracy's 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. Unfortunately, over of half of NARA's textual holdings have not been processed to allow efficient and effective access to these records. 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.

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. NARA's role in ensuring the timeliness and integrity of the declassification process of classified material held at NARA is also vital to public access.

### **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

# ***TOP TEN MANAGEMENT CHALLENGES***

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own facilities, as well as those used by other Federal agencies, are in compliance with these regulations; and effectively mitigate risks to records which 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 grow older daily and face degradation associated with time. This affects both traditional paper records, and the physical media that electronic records and audio/visual records are stored on. 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 this. Preserving and providing access to records is a fundamental element of NARA's duties to the country, and NARA cannot provide access to records unless it can preserve them for as long as needed. The backlog of records needing preservation action continues to grow. NARA is challenged to address this backlog and future preservation needs, including the data integrity of electronic records. 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.

## **7. Improving Project Management**

Effective project management, particularly for IT projects, 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 providing oversight to ensure effective or efficient results within costs. Currently IT systems are not always developed in accordance with established NARA guidelines. These projects must be better managed and tracked to ensure cost, schedule and performance goals are met.

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

The Archivist has identified security of collections as a material weakness under the FMFIA reporting process. Document and artifact theft is not a theoretical threat; it is a reality NARA has been subjected to time and time again. 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 risk our holdings may be pilfered, defaced, or destroyed by fire or other man-made and natural disasters.

## **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



# ***TOP TEN MANAGEMENT CHALLENGES***

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oversight of Federal contractors. NARA is also challenged with reviewing contract methods to ensure a variety of procurement techniques are properly used in accordance with Federal laws and regulations.

## **10. Strengthening Human Capital**

The GAO has identified human capital as a Government-wide high risk. In November 2007, OPM reported NARA had not established a formal human capital plan. Instead NARA has adopted a phased approach to human capital planning. However, 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 biannually by the U.S. Office of Personnel Management (OPM). In response to the 2008 FHCS, NARA developed an FHCS Action Plan focusing on Communication, Leadership, Performance Culture, and Training. This plan incorporates the individual strategies developed by each NARA office and identifies objectives, actions to be taken, outcome measures, and improvement targets for each.

NARA's challenge is to adequately address its workforce's concerns and 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.

# ***REPORTING REQUIREMENTS***

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## **MANDATED BY THE INSPECTOR GENERAL ACT OF 1978, AS AMENDED, AND OTHER LAWS**

<b><u>REQUIREMENT</u></b>	<b><u>SUBJECT</u></b>	<b><u>PAGE(s)</u></b>
Section 4(a)(2)	Review of legislation and regulations	9 – 10
Section 5(a)(1)	Significant problems, abuses, and deficiencies	4, 12 – 17, 24 – 27
Section 5(a)(2)	Significant recommendations for corrective action	12 – 17
Section 5(a)(3)	Prior significant recommendations unimplemented	37
Section 5(a)(4)	Summary of prosecutorial referrals	34
Section 5(a)(5)	Information or assistance refused	37
Section 5(a)(6)	List of reports issued	35
Section 5(a)(7)	Summaries of significant reports	12 – 17
Section 5(a)(8)	Audit Reports—Questioned costs	36
Section 5(a)(9)	Audits Reports—Funds put to better use	37
Section 5(a)(10)	Prior audit reports unresolved	37
Section 5(a)(11)	Significant revised management decisions	37
Section 5(a)(12)	Significant revised management decisions with which the OIG disagreed	37
P.L. 110-181	Annex of completed contract audit reports	36

# REPORTING REQUIREMENTS

## STATISTICAL SUMMARY OF INVESTIGATIONS

<i>Investigative Workload</i>	
Complaints received this reporting period	46
Investigations pending at beginning of reporting period	43
Investigations opened this reporting period	10
Investigations closed this reporting period	18
Investigations carried forward this reporting period	42
<i>Categories of Closed Investigations</i>	
Fraud	4
Conflict of Interest	2
Contracting Irregularities	1
Misconduct	2
Larceny (theft)	6
Other	3
<i>Investigative Results</i>	
Cases referred – accepted for prosecution	0
Cases referred – declined for prosecution	6
Cases referred – pending prosecutive decision	1
Arrest	1
Indictments and informations	0
Convictions	0
Fines, restitutions, judgments, and other civil and administrative recoveries	0
NARA holdings recovered	3
<i>Administrative Remedies</i>	
Employee(s) terminated	0
Employee(s) resigned in lieu of termination	0
Employee(s) suspended	0
Employee(s) given letter of reprimand or warnings/counseled	2
Employee(s) taking a reduction in grade in lieu of administrative action	0
Contractor (s) removed	1

# REPORTING REQUIREMENTS

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## SUMMARY OF PROSECUTORIAL REFERRALS Requirement 5(a)(4)

### Accepted for Prosecution

None.

### Declined for Prosecution

#### **Conflict of Interest**

An anonymous complainant accused NARA personnel of willingly allowing a close personal relationship with a contractor to influence decisions and actions on a NARA IT contract. This investigation determined that the subject NARA employee was not an evaluation team member or technical advisor during the proposal evaluation process. An Assistant United States Attorney declined prosecution.

#### **Misuse of Government Credit Card**

NARA's Financial Services Division notified OIG of questionable charges on an employee's Government Travel Card. When interviewed, the subject made multiple false statements to NARA staff and criminal investigators before admitting culpability. An Assistant United States Attorney declined prosecution and the case was referred to NARA for administrative action.

#### **False Billing**

The subject company was initially investigated for allegations of a bid-rigging scheme to steer government contracts to itself and its alleged co-conspirators. While that charge was not substantiated and prosecution was declined by an Assistant United States Attorney, a civil case is pending for an outstanding debt of more than \$250,000 owed to NARA.

#### **Grant Fraud**

The National Historical Publications and Records Commission (NHPRC) informed the OIG of a possible misuse of Federal grant funds by a NARA grantee. OIG investigators and audit staff substantiated that the grantee misused Federal grant funds. This investigation did not reveal direct evidence to support intentional misuse of Federal grant funds. However, the evidence suggests particular grantee staff were aware their actions relating to the NARA grant funds were inappropriate. The details of this case were presented to an Assistant United States Attorney who declined prosecution of this case due in large part to the small amount of funds misused.

#### **Obstruction of Audit/Criminal Investigation**

Contractors being interviewed as part of the audit and criminal investigative process informed OIG personnel that a NARA employee had expressly prohibited them from communicating with the OIG. The allegations were substantiated and the subject was advised not to interfere with the OIG's communications with contractors. Upon explanation of the laws and regulations governing such conduct, the subject removed the prohibitions on communication. An Assistant United States Attorney declined prosecution.

# ***REPORTING REQUIREMENTS***

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## **Sending Threatening Letters**

A Rhode Island resident was investigated for sending threatening letters to NARA employees in St. Louis. The Office of Investigations worked with local law enforcement, as well as the U.S. Postal Inspection Service to investigate the case. The allegations were substantiated. An Assistant United States Attorney declined prosecution.

## **Pending Prosecutorial Determination**

## **Shoplifting**

A woman was arrested at the JFK Presidential Library in Boston for shoplifting from the library's gift shop. The subject was charged with violating Massachusetts law. Prosecution is pending.

## **LIST OF REPORTS ISSUED Requirement 5(a)(6)**

<b>Report No.</b>	<b>Title</b>	<b>Date</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>	<b>Funds Put to Better Use</b>
10-01	Audit of the National Historical Publications and Records Commission Grant No. 2004-026	10/26/2009	762,320	762,320	0
10-02	Audit of NARA's FY 2009 Financial Statements	12/11/2009	0	0	0
10-03	Search Engine Analysis for Online Public Access to the Electronic Records Archives	01/28/2010	0	0	0
10-04	Audit of NARA's Oversight of Electronic Records Management in the Federal Government	04/02/2010	0	0	0

# REPORTING REQUIREMENTS

## AUDIT REPORTS WITH QUESTIONED COSTS Requirement 5(a)(8)

Category	Number of Reports	DOLLAR VALUE	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	\$0	\$0
B. Which were issued during the reporting period	1	\$762,320	\$762,320
Subtotals (A + B)	1	\$762,320	\$762,320
C. For which a management decision has been made during the reporting period	1	\$762,320	\$762,320
(i) dollar value of disallowed cost	0	\$0	\$0
(ii) dollar value of costs not disallowed	1	\$762,320	\$762,320
D. For which no management decision has been made by the end of the reporting period	0	\$0	\$0
E. For which no management decision was made within 6 months	0	\$0	\$0

## ANNEX ON COMPLETED CONTRACT AUDIT REPORTS

Section 845 of the 2008 Defense Authorization Act, Public Law 110-181, requires certain information on completed contract audit reports containing significant audit findings be included as an annex to this report. While an audit on the ERA contract was completed during this period (please see page 13), this was a program audit as opposed to a contract audit.

# REPORTING REQUIREMENTS

## AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE Requirement 5(a)(9)

CATEGORY	NUMBER	DOLLAR VALUE
A. For which no management decision has been made by the commencement of the reporting period	3	\$275,685
B. Which were issued during the reporting period	0	\$0
Subtotals (A + B)	3	\$275,685
C. For which a management decision has been made during the reporting period	2	\$240,000
(i) dollar value of recommendations that were agreed to by management	2	\$240,000
Based on proposed management action	2	\$240,000
Based on proposed legislative action	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	1	\$35,685
E. For which no management decision was made within 6 months of issuance	1	\$35,685

## OTHER REQUIRED REPORTS

REQUIREMENT	CATEGORY	SUMMARY
5(a)(3)	Prior significant recommendations unimplemented	None
5(a)(5)	Information or assistance refused	None
5(a)(10)	Prior audit reports unresolved	None
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant revised management decisions with which the OIG disagreed	None