

NATIONAL ARCHIVES
OFFICE *of* INSPECTOR GENERAL
SEMIANNUAL REPORT
to CONGRESS

OCTOBER 1, 2011 *to* MARCH 31, 2012



FOREWORD

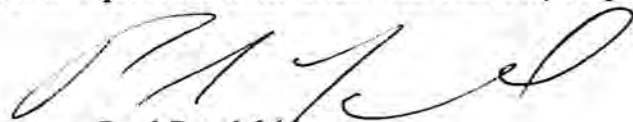
On November 28th 2011 President Obama issued a Presidential Memorandum titled Managing Government Records. The President stated "Records transferred to the National Archives and Records Administration (NARA) provide the prism through which future generations will understand and learn from our actions and decisions." Through audits, investigations and evaluations the NARA Office of Inspector General (OIG) is uniquely positioned to assess and support NARA's capacity to serve the American public by protecting our nation's physical and electronic records, and provide them with appropriate security and accessibility.

We continue evaluating the functionality and viability of the Electronic Records Archives (ERA). ERA systems development efforts have formally concluded and transitioned to an Operations and Maintenance phase. I look back on my initial ERA meeting notes dated December 3, 2001 in which I wrote ERA must "provide our customers timely and reliable access" to electronic holdings. Regretfully, I must conclude this objective was not achieved. With limited exception ERA is a system that does not afford the public ready, timely and affordable access to electronic records. Indeed, ERA officials informed us the experience for researchers seeking access to electronic records "is parallel to the process researchers use to get any records in physical formats." Figuratively speaking, researchers will still have to get paper cuts when attempting to access electronic records which will be flowing to NARA at an exponential rate. Furthermore, ERA lacks contingency planning and back-up, and is reliant upon the legacy systems which it was to replace.

We also released two audit reports on the management of records at the Washington National Records Center (WNRC), where management controls were inadequate to safeguard and adequately secure records. The environment at WNRC was one in which records cannot be properly accounted for, processed, disposed of or adequately safeguarded. This condition placed records at risk of possible loss, damage, compromise or unauthorized disclosure. Management responded to these reports in a positive and constructive manner, and I am optimistic constructive change is occurring.

Work performed by OIG investigators resulted in subjects pleading guilty in two major cases. In one case a former NARA employee pleaded to the embezzlement of government property. This case has garnered significant national attention, and has to date resulted in the recovery of thousands of historic acetate records alienated from NARA's holdings. In the second case, NARA agents working jointly with the FBI were able to recover approximately 10,000 records stolen from numerous cultural and historic institutions including the Franklin Delano Roosevelt Presidential Library. Both subjects in this case have pleaded guilty and await sentencing.

In closing, I'd like to thank my staff for the outstanding work accomplished in this period. In this era in which Federal workers have become to some the object of derision, I find the OIG staff to be talented, dedicated, hard-working and responsible individuals who merit my respect.



Paul Brachfeld
Inspector General

TABLE OF CONTENTS

Foreword.....	<i>i</i>
Executive Summary	2
Introduction	5
Activities	7
Audits	10
Investigations.....	17
Top Ten Management Challenges	24
Reporting Requirements	29

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

EXECUTIVE SUMMARY

This is the 47th 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 NARA's top ten management challenges is included as well. The highlights of our major functions are summarized below.

Audits and Reports

The Audit Division continued to examine the security of NARA's Information Technology (IT) systems, the development of NARA's Electronic Records Archives (ERA) system, and assess the economy and efficiency of NARA's programs and operations. During the reporting period, we issued the following audit reports and management letters.

Information Technology (IT)

- **Network Outage Affecting NARA's Operations.** Two separate issues were discovered as a result of a 32-hour network outage in September 2011. First, NARA did not have a failover connection to restore Internet and other services within a timely manner. Second, NARA's continuity of operations (COOP) site may not be able to independently operate if there was an incident at Archives II. In response to our management letter, the Archivist agreed a second diversely routed access circuit to Archives II would have averted the outage, and NARA is investigating the cost and feasibility of such a solution. The Archivist also stated, after our letter was issued, a full failover test of NARANet servers and storage area network to the COOP site was conducted, and NARA now has a higher level of confidence services can be independently restored to the alternate site. (OIG Management Letter #12-01, dated October 13, 2011.)

Electronic Records Archives (ERA)

- **Access to Records in the Base ERA System.** At the end of development, the ERA system was neither functional nor operational in meeting the basic needs and requirements of users. Records ready for public access cannot be readily identified, located and presented to researchers. The vast majority of unstructured data files (word processing documents, emails, etc.) in Base ERA will not be transferred to NARA's search program (OPA). For those records not in the search program, an archivist will have to intervene to search for a researcher, and the researcher will be billed at least \$13 per file they request. All records from Base ERA will be delivered in their native format, meaning if the file is a Lotus Notes email, the researcher must have their own copy of the Lotus Notes program or have some other way of opening the file. Further, NARA's outside communications regarding ERA did not reflect the state of the program, and needed to be updated. NARA is currently prioritizing additional work to be performed on ERA, and is also working to enhance program communications. (OIG Management Letter #12-06, dated February 21, 2012)
- **NARA's Reliance on Legacy Systems to Meet Electronic Records Mission Needs.** As we reported previously, 58 percent of ERA's original requirements were no longer

EXECUTIVE SUMMARY

planned to be included in the system at the end of the development phase. As a result, NARA is now spending almost \$7 million a year to operate and maintain (O&M) eight older, outdated, legacy IT systems supposed to be retired and/or subsumed with the implementation of ERA. (OIG Audit Report #12-08, dated March 30, 2012. See page 12.)

- **Inadequate Contingency Planning Continues to be a Significant Risk for the ERA System.** We followed up on the status of two previously reported ERA issues; the lack system backups, and the lack of an alternative backup site. These issues have not been adequately addressed. It is still unknown if the ERA System (in its entirety) can be successfully restored from backup tapes, and there is not an alternative backup site. (OIG Audit Report #12-04, dated January 30, 2012. See page 14.)

Programs and Operations

- **Management of Records at the Washington National Records Center (Report #1).** Conditions at the Washington National Records Center (WNRC) constituted a potential national security risk. Management controls were inadequate to safeguard and adequately secure records, including classified records. As a result of our audit NARA promptly initiated corrective actions. The Archivist also ordered a one day stand-down of all Federal Records Centers to assess whether the problems at WNRC existed elsewhere, and established a WNRC Oversight Group to ensure leadership participation in resolving long standing issues at WNRC. (OIG Audit Report #12-02, dated January 3, 2012. See page 11.)
- **Management of Records at the Washington National Records Center (Report #2).** A lack of controls and effective management oversight at WNRC resulted in an environment where records could not be properly accounted for, processed, disposed of or adequately safeguarded. WNRC revenue generating activities were adversely impacted, and records were at risk of possible loss, damage, compromise, or unauthorized disclosure. (OIG Audit Report #12-05, dated March 27, 2012. See page 11.)
- **Compliance with the Improper Payment Elimination and Recovery Act of 2010.** NARA's work in determining agency activities were not susceptible to significant improper payments, and NARA's analysis determining no recapture payment audits were needed appeared to be sufficient and reasonable. (OIG Audit Memorandum Report #12-07, dated February 23, 2012. See page 15.)
- **NARA's Fiscal Year 2011 Financial Statements.** NARA received an unqualified opinion on their financial statements. There were no significant deficiencies, and no instances of non-compliance with the laws and regulations reviewed. There was one material weakness in internal control over financial reporting, but this is correctable through the recommendations made. (OIG Audit Report #12-03, dated July 7, 2011. See page 15.)

EXECUTIVE SUMMARY

Investigations

Significant accomplishments by the Office of Investigations (OI) during this reporting period include:

- Three subjects in two ongoing criminal investigations supported by the Department of Justice (DoJ) pleaded guilty to charges of theft.
- One subject in another DoJ supported investigation pleaded guilty to charges of copyright infringement.
- As a result of a joint investigation with the Naval Criminal Investigative Service, a NARA employee pleaded guilty to possessing child pornography and resigned from his position.
- As a result of a joint investigation with the Veterans Administration, Office of Inspector General, an individual pleaded guilty to theft. He was sentenced to six months imprisonment, and required to pay back the benefits he fraudulently received.
- The Archival Recovery Team (ART) recovered 9,389 NARA holdings including records from the prosecution of Al Capone and the Watergate scandal.
- As a result of an OI referral, NARA removed a contract security guard from a facility.

The OI opened 17 investigations and 48 complaints for preliminary investigation, while closing 14 investigations and 103 complaints. At the end of this reporting period, OI had 24 ongoing investigations and 15 complaints. Three investigations and eight complaints were referred to NARA management for information or appropriate action. Over 50 percent of the ongoing investigations and complaints involve the potential alienation of NARA holdings. This number reflects continuing OI efforts through ART to identify and investigate lost, missing, and stolen NARA holdings. The Department of Justice (DoJ) continues to work with the OI on several ongoing investigations including allegations of theft, copyright infringement, fraud, and conspiracy.

In February 2012, the Attorney General of the United States granted the Inspector General's application for statutory law enforcement authority. Previously, the U.S. Marshals Service granted OI special agents recurrent, blanket special deputation which allowed us to execute numerous search and arrests warrants in support of a variety of criminal investigations. The successful prosecution of many of those investigations established the justification for statutory law enforcement authority. The OI has begun preparations for a mandatory peer review that must be completed within three years of being granted statutory authority.

INTRODUCTION

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 4.3 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 nearly 600,000 artifact items and more than 165 terabytes of electronic 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 2011, NARA had 40 million online visits in addition to hosting four million traditional museum visitors, all while responding to 1.3 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) 2012, NARA was appropriated an annual budget of approximately \$391.5 million and 3,266 (estimated) Full-time Equivalents (FTEs), including appropriations of \$373.3 million for operations, \$9.1 million for repairs and restorations of facilities, and \$5 million for grants. The ERA system no longer has a separate appropriation, and funds for the ERA come out of NARA operating expenses. NARA operates 44 facilities nationwide.

INTRODUCTION

About the Office of Inspector General (OIG)

The OIG Mission

The OIG serves the American citizen by improving the effectiveness, efficiency and economy of NARA programs and operations. As part of this we detect and prevent fraud and abuse in NARA programs, and strive to ensure proper stewardship over Federal funds. We accomplish this by providing high-quality, objective audits and investigations; and serving as an independent, internal advocate. Unique to our mission among other OIGs is our duty 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.

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 came from NARA's Operating Expenses appropriation. For FY 2012, Congress provided \$4.1 million for the OIG, including resources for 23 FTEs. At the beginning of the period, the OIG had one audit vacancy to fill. During the period another audit vacancy was created due to the retirement of a senior auditor. Currently the OIG has one Inspector General, one support staff, 11 FTEs devoted to audits, nine FTEs devoted to investigations, and a counsel to the Inspector General.

ACTIVITIES

Involvement in the Inspector General Community

Counsel of Inspectors General on Integrity and Efficiency (CIGIE) Legislation Committee

The IG served as a member of the CIGIE Legislation Committee. The Legislation Committee provides regular and ongoing communication regarding legislative issues and other matters of common interest between the Congress and CIGIE. Specifically, the Committee provides timely information about Congressional initiatives to the IG community; solicits the views and concerns of the community in response to legislative initiatives and Congressional requests; and presents views and recommendations to Congressional committees and staff, the Government Accountability Office, and the Office of Management and Budget on issues and legislation affecting the IG community.

CIGIE Information Technology (IT) Committee

The IG served as a member of the CIGIE IT Committee. The IT Committee facilitates effective IT audits, evaluations, and investigations by Inspectors General. The IT Committee also provides a vehicle for the expression of the IG community's perspective on Government-wide IT operations.

Federal Audit Executive Council (FAEC)

The Assistant Inspector General for Audits (AIGA) continued to serve as a representative to the FAEC. 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.

Assistant Inspectors General for Investigations (AIGI) Committee

The AIGI Committee serves as a standing subcommittee to the CIGIE Investigations Committee. As a member, the AIGI helps provide 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 continues to be an active member of the CCIG, and communicated regularly with fellow members. The CCIG provides a rich environment where legal issues can be raised and interpretations can be presented and reviewed with an experienced network of OIG lawyers. During regular meetings multiple topics were discussed and addressed.

ACTIVITIES

Management Assistance and Other Work

- Reviewed the procedures and practices for identifying and securing high value records at two Presidential Libraries and a regional facility.
- Conducted outreach briefings at presidential libraries and regional facilities to ensure field staff are aware of the role of the OIG, and how they can help use the OIG to improve NARA.
- Provided feedback to the Office of Management and Budget on a proposed Executive Order, ensuring it was clarified to preserve the independence of OIGs.
- Responded to multiple requests for OIG records under the Freedom of Information Act.
- Reviewed legislative proposals and provided feedback to appropriate entities and reviewed newly passed legislation for its affect on NARA and the NARA OIG.
- Provided comment and input into several NARA directives and regulations covering a variety of topics.

Peer Review Information

Peer Review of NARA OIG's Audit Organization

In accordance with Government Auditing Standards and CIGIE guidelines, the NARA OIG system of quality control for the audit organization in effect for the year ended September 30, 2010 was reviewed by the Federal Communications Commission (FCC) OIG.

FCC OIG concluded “the system of quality control for the audit organization of NARA OIG in effect for the year ended September 30, 2010 has been suitably designed and complied with to provide NARA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of pass; pass with deficiencies, or fail. NARA OIG has received a peer review rating of pass.” There are no outstanding recommendations from this review.

Peer Review of NARA OIG's Office of Investigations

NARA OIG's Office of Investigations was last peer reviewed by the National Science Foundation in May of 2008. There are no outstanding recommendations from this review.

In February 2012, the Attorney General of the United States granted the Inspector General's application for statutory law enforcement authority. Accordingly, the OI has begun preparations for the now mandatory peer review that must be completed within three years of being granted statutory authority.

ACTIVITIES

Response to Congressional Items

Briefings to Congressional Committee Staffs

During the reporting period we briefed several Congressional Committee staffs on topics of current interest such as ongoing investigations, problems at the Washington National Records Center and the Electronic Records Archives.

Congressional Staff Visit to the Washington National Records Center

We attended a site visit by several Congressional staff members to the Washington National Records Center to discuss shortcomings at the facility and explain issues identified by the OIG.

Federal Information Security Management Act (FISMA) Report

As required by FISMA, the OIG conducted an independent assessment of the effectiveness of NARA's information security program and practices. The scope of the assessment encompassed 11 program areas identified by the Office of Management and Budget and the Department of Homeland Security (DHS). These program areas included: risk management; configuration management; incident response and reporting; security training; plans of actions and milestones (POA&M); remote access management; identity and access management; continuous monitoring management; contingency planning; contractor systems; and security capital planning.

We found NARA needs significant improvements in each of these 11 program areas to be consistent with FISMA and National Institute of Standards and Technology (NIST) requirements. Specifically, weaknesses identified in prior year assessments persist in NARA's risk management, POA&M, remote access management, identity and access management, and contingency planning processes. During 2011, efforts were made to improve incident response and reporting, yet additional work was still needed to meet NIST requirements. Deficiencies were also found with the timely application of critical system patches, and security training of new users and those with significant security responsibilities. Further, NARA has not achieved consistent implementation of its continuous monitoring, contractor oversight, and security capital planning policies and processes.

AUDITS

Overview

This period, we issued:

- five final audit reports;
- one audit memorandum;¹ and,
- two management letters.²

We completed fieldwork on the following:

- an audit of NARA's Data Center Consolidation Initiative assessing NARA's progress in meeting consolidation objectives and consolidating data centers;
- an audit of NARA's Classified Systems determining whether NARA's classified systems are properly managed and adequately secured;
- a Network Assessment audit to determine whether controls are adequate, identify inadequacies, and make recommendations to better support NARA's business needs and ensure peak efficiency;
- a follow-up audit of the Process of Safeguarding and Accounting for Presidential Library Artifacts evaluating NARA's efforts implementing recommendations contained in OIG Audit Report 08-01, and determining whether actions taken provide reasonable assurance management controls are adequate to safeguard and account for library artifacts;
- an audit of NARA's Public Transit Subsidy Program determining the adequacy and effectiveness of internal controls over the administration of this program; and
- an audit of NARA's Parking Control System at Archives II determining the adequacy of management controls and whether the system meets NARA requirements.

We initiated work on the following assignments:

- an audit of NARA's Preservation Program to determine whether program controls are adequate to meet the mission of preserving Federal records; and
- an audit of the Office of Government Information Services to determine whether the office has been adequately established and is meeting the legal intent for which it was created.
- an Audit of the Processing of Textual and Electronic Records to evaluate and assess the controls over the process of making archival records available to the public.

¹ An audit memorandum is used when an audit is performed and there are either no findings or the findings are insignificant.

² Management letters are used to address issues which need to be quickly brought to the Archivist's or management's attention.

AUDITS

Audit Summaries

Management of Records at the Washington National Records Center (WNRC) (Report #1)

Our objective was to evaluate and assess the adequacy of controls over the management and handling of records at WNRC, for this we issued two separate audit reports. This audit specifically focused on whether controls were in place to adequately safeguard and secure the records held at WNRC. Audit procedures focused on controls over record security, processing new transfers of records, disposal of records, requests for existing records, and refiling of records.

Overall we found management controls were inadequate to safeguard and adequately secure records at WNRC. WNRC opened in 1966 and has been plagued with problems spanning the last 30 years. Many of the past and current problems result from the abject failure of management including a lack of effective management oversight. In this first audit report, we noted conditions at WNRC constitute a potential national security risk. Controls to mitigate unauthorized access to our nations' classified records residing in this facility either did not exist or could be readily bypassed. Security mechanisms in place were inadequate and even those minimal controls established were subject to repeat compromise. The lack of controls and concern over protecting records resulted in an environment at WNRC where security was not a top priority, employees lacked attention to detail, and security incidents frequently occurred.

We made 14 recommendations for improvement. Management concurred with each recommendation. After issuance of the final report, the Archivist ordered a stand-down of each of the Federal Records Centers (FRCs) for one day to assess whether any of the problems identified at WNRC existed elsewhere. Based on the assessment, none of the other FRCs were experiencing the scope of challenges faced by WNRC. Action plans are being developed for each FRC to address any identified issues and steps to address problems will be monitored by the Executive for Agency Services.

The Archivist also established a WNRC Oversight Group to ensure leadership participation in oversight of plans, actions, and results related to resolving the long standing issues at WNRC. The group is chaired by the Chief Operating Officer and includes participants from Agency Services and Business Support Services and observers from the Information Security Oversight Office and the OIG. (OIG Audit Report #12-02, dated January 3, 2012.)

Management of Records at the Washington National Records Center (Report #2)

This was the second audit report issued for issues involving the WNRC (the first audit report, OIG #12-02, dated January 3, 2012, is discussed above). This report focused on the handling of records, the Archives and Records Centers Information System (ARCIS), training, policies, and procedures.

AUDITS

Our audit disclosed management controls were either missing, ineffective or inadequate to appropriately manage and handle records at WNRC. This coupled with a lack of effective management oversight resulted in an environment where records could not be properly accounted for, processed, disposed of or adequately safeguarded.

We found:

- Record classification levels were not reviewed in detail to ensure classified documents were appropriately segregated.
- There were no controls in place to track and monitor new records stored in WNRC hallways.
- A formalized problem tracking and resolution process was not in place to properly track problems with records received, stored, or removed from WNRC.
- Controls over disposals were not adequate to ensure records were disposed of timely. These items included non-textual records approved for disposal, but were not destroyed. We determined WNRC has lost a total of \$131K from 2001 to 2011. The yearly amount escalated in 2011 to \$50K and WNRC will continue to lose this amount each year in revenue if they allow these records to sit on the shelf at no cost to the agencies.
- Periodic inventories of the records held at WNRC were not conducted.
- Records stored at WNRC were not adequately safeguarded as records were not carefully maintained.
- Archives and Records Centers Information System (ARCIS) access was not properly restricted as terminated and transferred employees maintained access after their separation from WNRC.
- ARCIS was not updated timely to reflect the current status of records held at WNRC.
- WNRC did not require agencies to use the ARCIS customer portal.
- WNRC employees have not been trained on the processes outlined in the *Classified Standard Operating Procedures* (SOP) manual. In addition, there was no monitoring in place to ensure the procedures in the *Classified SOP* were operating as written.
- Guidelines were not followed or enforced when agencies sent records to WNRC.
- Documented procedures did not exist for many WNRC operations.

As a result of the issues noted above, WNRC revenue generating activities depending on proper records management activities were adversely impacted. We made 12 recommendations intended to strengthen the effectiveness of controls at WNRC. Management concurred with each of the recommendations included in the report. (OIG Audit Report #12-05, dated March 27, 2012.)

NARA's Reliance on Legacy Systems to meet Electronic Records Mission Needs

The Electronic Records Archives (ERA) is a major information system intended to preserve and provide access to massive volumes of all types and formats of electronic records, independent of their original hardware or software. The use of ERA will be mandatory for all Federal agencies in September 2012.

AUDITS

This audit found NARA is spending almost \$7 million a year to operate and maintain (O&M) eight older, outdated, legacy systems that were supposed to be retired and/or subsumed with the implementation of ERA. This is in addition to ERA's estimated annual \$23 - \$25 million O&M cost. In addition to the legacy systems' O&M costs, NARA plans to spend almost \$2 million between fiscal years 2011 and 2012 in system development, modernization, and enhancements for two of these systems.

This condition exists because, as we reported in our July 15, 2011 Advisory Report No. 11-16 entitled, "Implementation Status of the Electronic Records Archives System Requirements," 58 percent of ERA's original requirements were no longer planned to be included in the system at the end of the development phase on September 30, 2011. By not implementing these requirements, ERA lacks much of the functionality originally envisioned for the system. As a result, these eight older legacy systems have to remain in place.

According to the ERA Business Case Analysis, the majority of the quantitative benefits of ERA will be achieved by the reduction in costs of operating and maintaining numerous stove pipe systems not capable of meeting NARA's long term electronic records lifecycle needs. However, in order to realize these quantitative benefits the legacy systems need to be retired and/or subsumed by ERA.

A senior ERA program official stated these legacy systems will not be retired until all the data they contain is migrated into ERA, or their role in managing the legacy tape collection has been completed when the legacy tape migration is complete. This official also stated there are no specific dates for finalizing the migration of all legacy data and functionality required into ERA. She added they will not be able to shut the legacy systems down in 2012, and without knowing how much work on these systems will be budgeted in 2013, it is unknown when NARA would be able to do so.

The NARA official responsible for the ERA Business Requirements Group (BRG), which is charged with managing the process of identifying and prioritizing needs for corrective and adaptive maintenance on the ERA System, stated "the actual plans for retirement of legacy systems are managed by the system owners." The BRG receives requests for changes from the business owners who are responsible for identifying and submitting descriptions of what they need in order to do their work better, retire legacy systems, or support NARA strategic objectives.

Unfortunately, ERA's lack of a backup site has also left NARA relying on legacy systems as alternatives in case the ERA's primary site is unavailable. We reported in our January 30, 2012 Advisory Report No. 12-04 entitled, "Inadequate Contingency Planning Continues to be a Significant Risk for the Electronic Records Archives System," there is not a backup site for the ERA System.

We acknowledge that without the original planned functionality in the ERA System, or an alternative processing site, it is unrealistic to retire/subsume these legacy systems at this time. However, NARA should develop a plan with milestones identifying the steps needed to retire/subsume these legacy systems in order to stop incurring the annual O&M costs, as well as

AUDITS

the costs for upgrades/adaptive maintenance in order to keep them functioning. The Chief Information Officer should take the lead on this effort and not rely solely on the system owners to develop plans for the retirement of their systems. (OIG Audit Report #12-08, dated March 30, 2012.)

Inadequate Contingency Planning Continues to be a Significant Risk for the ERA System

As part of our effort to provide coverage to ERA, we followed up on the status of two issues: 1) system backups and 2) an alternative backup site, which we previously reported on in Advisory Report No. 10-11 entitled, “Inadequate Contingency Planning for the Electronic Records Archives System” dated April 29, 2010. We found these issues have not been adequately addressed: (1) it is still unknown if the ERA System (in its entirety) can be successfully restored from backup tapes and (2) there is not an alternative backup site.

The current method of protecting the ERA System from a disaster is done by the storage of backup tapes at Archives II in College Park, MD. Incremental backups of data are done daily at the ERA System’s primary location, the Allegany Ballistics Lab (ABL) in Rocket Center, West Virginia. Our concern, has been, and continues to be ERA, in its entirety, has still not been restored from backup tapes. Without adequate testing, it is still unknown if ERA can be restored in a timely manner from backup tapes. An ERA official acknowledged that although restoration from tape for ERA has not been demonstrated in its entirety, restoration of selected subsets of ERA business objects and records has been successfully accomplished. However, restoration of selected subsets of ERA does not provide us with an adequate level of confidence the system, in its entirety, could be successfully restored in a timely manner should a disaster occur. An ERA official indicated to us it still has not been demonstrated the Executive Office of the President data archive can be successfully restored from tape. We suggest the ERA Program Office conduct adequate testing to determine if the ERA System (in its entirety) can successfully be restored from backup tapes in a timely manner.

Currently, there is no alternative ERA backup site or an official Disaster Recovery Plan for the ERA System. In the event of a disaster rendering the current ERA production data center unusable, NARA does not have an alternative processing site to continue ERA operations. NARA would need to acquire the funding to purchase replacement hardware, obtain data center space to house the new equipment and have the offsite tapes sent to the new location to begin restoration of the system. A senior ERA Program Official stated instead of a backup site, we are storing backup disks at Archives II. Although we agree backing the system up and storing the tapes offsite is an important and necessary control for disaster recovery, we do not think it should be in lieu of an alternative backup site. The ERA System’s Federal Information Processing Standard (FIPS) Categorization for Availability is “Moderate,” meaning a prolonged discontinuance of service would result in an impact to mission requirements. The FIPS 199 Recovery Strategy for a system with an impact level of Moderate for Availability is to have a cold or warm Backup site.

The current ERA Business Impact Analysis and ERA Contingency Plan both address a primary site unavailability scenario by utilizing the existing NARA legacy applications. In our opinion,

AUDITS

the reliance on legacy systems is not an adequate control and does not comply with FIPS for a system critical to NARA's mission and that will be mandatory for use by all Federal agencies this year. We suggest the ERA Program Office conduct an analysis of risks and alternatives to determine the level of risk management is willing to accept and the most cost effective alternative to meeting NARA's mission if the ABL was unavailable for an extended time period. (OIG Advisory Report #12-04, dated January 30, 2012.)

Compliance with the Improper Payment Elimination and Recovery Act of 2010

As required by Section 3(b) of the Improper Payments Elimination and Recovery Act of 2010, the OIG completed an independent review of NARA's improper payment reporting in NARA's FY 2011 Performance and Accountability Report and accompanying materials. Our review focused on NARA's compliance with the Improper Payments Information Act of 2002, as amended (IPIA).

NARA did not identify any programs or activities susceptible to significant improper payments, and has determined payment recapture audits would not be cost-effective. We reviewed NARA's risk assessment process, internal control tests and reviews, and trial balances used in determining NARA programs or activities were not susceptible to significant improper payments. We also reviewed NARA's analysis in determining no recapture payment audits were needed.

NARA's work in determining NARA programs or activities were not susceptible to significant improper payments, and NARA's analysis in determining no recapture payment audits were needed, appeared to be sufficient and reasonable. We believe NARA instituted a systematic repeatable method of reviewing all programs to identify programs susceptible to significant improper payments. This systematic method took into account risk factors likely to contribute to significant improper payments. As a result of our review, we believe NARA is in compliance with the intent of the Improper Payments Information Act of 2002, as amended. (OIG Audit Memorandum #12-07, dated February 23, 2012)

NARA's Fiscal Year 2011 Financial Statements

We contracted with Cotton & Company LLP (C&C), a public accounting firm, to audit NARA's Consolidated Balance Sheets as of September 30, 2011 and 2010, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources (the last statement as restated for 2010) for the year then ended. C&C issued NARA an unqualified opinion on NARA's FY 2011 and 2010 financial statements (restated).

The FY 2010 Statement of Budgetary Resources has been restated to correct a material misstatement related to the year-end revenue accrual for unfilled customer orders. For FY 2011, C&C reported one material weakness in internal control over financial reporting in the area of NARA's review of manual journal entries resulting in two recommendations that, if implemented, should correct the matters reported.

AUDITS

C&C disclosed no significant deficiencies and no instances of noncompliance with certain provisions of laws and regulations. Management concurred with the recommendations. We monitored C&C's performance of the audit to ensure it was conducted in accordance with the terms of the contract and in compliance with Government Accountability Office (GAO) *Government Auditing Standards* and other authoritative references, such as OMB Bulletin No. 7-04, Audit Requirements for Federal Financial Statements. We are involved in the planning, performance, and reporting phases of the audit. Our review disclosed no instances wherein C&C did not comply, in all material respects, with the contract or *Government Auditing Standards*. (OIG Audit Report #12-03, dated December 15, 2011.)

INVESTIGATIONS

Investigations

The OI receives and evaluates complaints, and conducts investigations related to fraud, waste, and abuse in NARA programs and operations. This includes identifying and recovering alienated NARA holdings. Investigations showing violations of Federal law, NARA Directives, or contract terms/specifications may result in administrative sanctions, civil action, or criminal prosecution. Such actions can include employee terminations, contractor debarments, and court-imposed prison terms, probation, fines, or restitution. The OI may also issue Management Letters to the Agency detailing systemic or timely problems or vulnerabilities, and offer recommendations on how to correct them.

OI activities are broadly divided into two groups, general investigations and Archival Recovery Team (ART) investigations. General investigations encompass the entire spectrum of criminal and administrative investigations, including such topics as procurement fraud, employee misconduct, and cyber crimes. ART investigations revolve around protecting NARA's historical holdings and returning items missing from NARA's collection.

The OI has statutory law enforcement authority, and is presently staffed with seven 1811 series criminal investigators, an Investigative Archivist, and a Director of Computer Crimes. The OI is based in Archives II in College Park, MD but conducts investigations at all NARA locations across the country. OI maintains a close relationship with NARA Security Services to coordinate law enforcement efforts impacting NARA. Specifically, ART routinely coordinates efforts with the Holdings Protection Team, a NARA Security Services unit charged with proactively protecting and securing NARA holdings. We also liaison with the Department of Justice (DOJ), the OIG community, and other law enforcement agencies and organizations.

Proactive Efforts

While conducting reactive investigations, the OI may identify vulnerable activities, programs, or procurements. To address this, OI may open proactive investigations to determine if fraud or other criminal activity has occurred, or to identify specific agency vulnerabilities. Findings from these proactive investigations result in Management Letters or spin-off investigations. The OI opened two proactive investigations during this reporting period to document initiatives related to Federal Employee Compensation Act fraud and information security violations.

Overall Activity Summary

At the end of the last reporting period, 56 complaints were open. The OI opened 48 new complaints, of which 14 were turned into full investigations. Additionally, 81 complaints were closed final and 8 were referred to NARA for action. At the end of this reporting period, 15 complaints were open.

At the end of the last reporting period, 21 investigations were open. During this reporting period, 17 investigations were opened and 14 were closed. Six of the closed investigations were referred to NARA for action. At the end of this reporting period, 24 investigations were open.

INVESTIGATIONS

General Investigations

Updates on Previously Reported General Investigations

Copyright Infringement

As a result of an OI investigation involving the execution of three search warrants, a NARA employee was arrested and subsequently pleaded guilty to criminal copyright infringement. According to his plea agreement, the employee provided potential customers with lists of at least 1,144 copyrighted movie titles and 971 copyrighted songs available for sale.

External Access of Child Pornography

A NARA employee was alleged to be accessing child pornography from his home computer by an external law enforcement entity. An examination of the employee's NARA computer found no indication child pornography was accessed from the workplace. The case was accepted for prosecution, and the employee pleaded guilty to receipt of child pornography. The employee resigned from his position with NARA and is scheduled for sentencing.

Threatening/Harassing Email

An employee used his NARA computer to send threatening / harassing emails to other government employees. OI referred these findings to NARA management.

Improper Disposition of NARA Property

A non-profit organization participating in the General Services Administration (GSA) Computers for Learning program mishandled excess NARA IT equipment. The joint investigation with the GSA OIG was closed pending a prosecutorial determination by the supporting U.S. Attorney's Office (USAO).

Grey Market Information Technology Equipment

A vendor provided NARA with counterfeit and grey market information technology equipment. DoJ declined to prosecute the case. However, the OI investigation prevented the undue payment of over \$1 million to the subject company, and they were referred to the Office of General Counsel for suspension/debarment consideration.

Mishandling of Internal Revenue Service (IRS) Records

A NARA employee gained unauthorized access to sensitive IRS criminal records by opening a sealed box. The employee then provided false statements about the incident to their supervisor. The OI referred the case to NARA management.

New General Investigation Highlights

Theft of Funds

A NARA employee stole money from an admissions cash register at a Presidential Library. The employee admitted to the theft, and was subsequently arrested by local authorities. The county prosecutor's office accepted the case and adjudication is pending.

INVESTIGATIONS

Contract Guard Misconduct

A supervisory contract security guard allegedly extorted subordinate employees, and engaged in inappropriate sexual relationships with other guards. OI referred the findings to management and a decision is pending. Additionally, another contract security guard interfered with the investigation and was removed from the contract.

Veteran Benefit Fraud

As a result of a joint investigation with the Veterans Administration (VA) OIG, a subject who received veteran benefits for which he did not qualify pleaded guilty to theft. He was sentenced to 6 months imprisonment, 36 months supervised release, fined \$100.00, and ordered to pay \$33,868.92 in restitution.

The OI closed another joint veteran benefit fraud investigation with the VA OIG. VA OIG has completed the investigation and a prosecutorial determination from the supporting USAO is pending.

As part of an ongoing third joint investigation with the VA OIG, a former NARA employee admitted using NARA resources to falsify a Bronze Star and a Purple Heart certificate. The subject admitted he submitted falsified documents to receive VA benefits. A prosecutorial decision from the supporting USAO is pending.

Stolen Valor

An individual misrepresented his service record and fabricated a NARA memo. This fourth joint VA OIG investigation is also pending a prosecutorial determination.

Theft of Personal Credit Card

A NARA employee's credit card was stolen and used illegally. The OI worked with local law enforcement and two subjects were eventually arrested. This investigation was declined for Federal prosecution; however, local authorities charged one subject with 28 counts of theft, while the second subject is cooperating with the investigation.

Archival Recovery Team (ART) Activity

ART is an OI unit which investigates and recovers alienated federal records. A Special Agent in Charge leads the unit and employs the expertise of an Investigative Archivist. The team works with NARA archivists, the Holdings Protection Team, and other law enforcement organizations responsible for investigating thefts, loss, or trafficking of cultural artifacts and fine art.

Thefts

ART investigates all allegations of theft of NARA holdings. Thefts may be internal or external and involve NARA employees, contractors, interns, and researchers. ART refers all instances of substantiated theft to DOJ for potential criminal prosecution. ART also refers internal thefts to NARA management for administrative action.

INVESTIGATIONS

Non-criminal Recoveries

Individuals may intentionally or unknowingly alienate a Federal record before it is accessioned into NARA's holdings. Once identified, alienated records are subject to recovery through a legal process known as replevin, a common law action to recover property unlawfully taken.

If ART receives allegations a record or item was alienated, the Investigative Archivist establishes whether the record should have been accessioned into NARA's holdings. If the record should have come to NARA, ART then refers this substantiation to the NARA Office of General Counsel (NGC) to begin the replevin process or other methods of recovering the document, such as voluntary donation. If the holder of the document is unwilling to release or donate a document, NGC may also pursue recovery through the DoJ civil division.

Proactive

Tips from our public sentinels are critical to successfully recovering of our nation's records. To leverage the power of their knowledge, ART engages in a variety of initiatives to establish relationships within the historical artifacts community and the public at large. Several times every year, ART staffs a display at various historical artifact shows throughout the country. ART also maintains a facebook page updating the public about upcoming shows and ART happenings, along with other newsworthy items about document thefts, investigations, and recoveries at NARA and other institutions worldwide. Visit the site at <http://www.facebook.com/archivalrecoveryteam>. Finally, ART reviews NARA holdings, identifying items at risk for theft and making recommendations to NARA about what records should be restricted or protected.

Missing Documents

Working in conjunction with NARA, ART has established a listing of documents identified as missing from NARA holdings. Some of these documents are known to have been stolen, but have never been recovered. Others have simply been identified by NARA archivists or researchers as missing. In both cases, ART has little or no evidence to work with, so the documents are posted on the NARA website in the hope of receiving viable leads to recover these materials. Please visit the website at www.archives.gov/research/recover/missing-documents.html to learn more. If you have information about any documents listed on the site or believe you have seen Federal documents in private hands, please email ART at MissingDocuments@nara.gov.

Updates on Previously Reported ART Investigations

Internal Theft of Sound and Motion Picture Recordings

A former employee pleaded guilty to embezzling government property from NARA. Special agents executed a search warrant on the subject's residence and seized over 6,000 recordings, at least 955 of which belonged to NARA. He is scheduled for sentencing. (NOTE: After the close of the semi-annual period, the former employee was sentenced to 18-months in prison, two years probation, and a \$10,000 fine on May 3, 2012.)

INVESTIGATIONS

Theft of Historical Materials

As a result of a joint investigation with the Federal Bureau of Investigation, two subjects pleaded guilty to conspiracy and theft of historical documents. The subjects visited numerous museums, accessed collections of documents which they had determined to be of significant value, used various techniques to steal them, and then sold some for personal gain. Both subjects are pending sentencing.

Recovery of Watergate Prosecution Documents

ART recovered 2,189 pages of original federal records from a private university. After being notified by a researcher, NARA archivists confirmed the federal records were among materials donated by a private individual to the institution more than 30 years ago.

Recovery of Al Capone Prosecution Records

ART recovered through donation approximately 7,200 pages of documents related to the prosecution of Al Capone.

New ART Investigative Highlights

Pending Referrals for Recovery of Alienated Documents

During this reporting period, ART referred seven complaints to management for recovery consideration. ART closed two of the seven as unrecoverable, and eight total referrals remain pending with management.

Missing Photographs

Photographs of Rabbi Mendel Schneerson and his wife, Moussia Haja Schneerson are missing from a naturalization petition. A photograph of Yee Wee Thing is also missing from an immigration file. ART will post additional details about these missing photos on the NARA website.

Clipped Signatures

Five signatures of notable personalities were clipped from files of the Radio Division, Records of the Office of War Information. Three signatures were clipped from a record book. Finally, a single signature was cut from a document labeled "Pension Rev War Claims Committee Papers Petition & Memorials."

Missing U.S. Mint Documents

Fifteen pages are missing from a bound volume in the Records of the U.S. Mint. The pages concern U.S. Double Eagle Gold Coins.

Assistance to Federal Agencies

ART assisted three Federal agencies in reviewing federal records this reporting period. ART helped the National Aeronautics and Space Administration OIG investigate a checklist from the Apollo 13 mission. Several photos from the Nuremburg Trials were donated to the Holocaust Museum because of ART assistance. Finally, ART facilitated the donation of two telegrams in the hand of President Abraham Lincoln to the Library of Congress.

INVESTIGATIONS

Computer Crimes Unit

In 2005, NARA OIG established a Computer Crimes Unit (CCU) within the OI. The CCU provides laboratory and field support for digital evidence seized or surrendered to NARA OIG or other law enforcement agencies working with the NARA OIG. Typical digital evidence forensic support services include computer and computer storage examination, volatile and flash memory storage device (cell phones, two-way pagers, Personal Digital Assistants, facsimile machines, satellite phones, GPS receivers, digital cameras, and other consumer communication and electronic storage devices) examination, on-site computer hard drive imaging, expert witness testimony, data analysis to determine evidentiary value, and technical training. The CCU is staffed by one full-time computer crimes investigator and one Special Agent working with the CCU as part of his duties as a criminal investigator.

Throughout the reporting period, the CCU has continued to provide considerable support to an ongoing investigation related to the theft of a large amount of historical documents from NARA and multiple other repositories. The CCU completed forensic examinations of a large volume of digital evidence seized during a series of search warrants. The results of the forensic examination identified a significant amount of evidence related to the planning and conduct of the thefts. Both subjects have now pleaded guilty to conspiracy and theft of historical documents, however the investigation remains ongoing.

In October 2011, the CCU participated in the execution of two search warrants related to the investigation of allegations a NARA employee was illegally copying DVD movies and music CDs in his office at NARA's facility in College Park, MD and selling them to NARA employees. CCU representatives seized a large number of computers and other digital evidence. In the resulting forensic examination, evidence was identified supporting the allegations including "ripped" copies of movies and music CDs, and copies of the software used to bypass copyright protection features of the movies and CDs. The subject has pleaded guilty to criminal copyright infringement.

The CCU also supported several investigations being conducted by the Federal Communications Commission (FCC) OIG. In the FCC OIG case, the CCU obtained, processed, and examined approximately two-hundred (200) gigabytes of digital evidence from two laptop computers.

In addition to supporting investigations, the CCU validated a number of computer forensic tools during this reporting period. Although the CCU has always informally validated hardware/software tools used in the performance of computer forensic activities, the CCU has started to formally validate tools to comply with recently promulgated quality standards for computer forensics established for the OIG community.

INVESTIGATIONS

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
- **By Fax**
(301) 837-0879
- **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 OIG audit staff, NARA management, or external authorities. Substantive Hotline contacts are captured as complaints in the Office of Investigations.

<u>OIG Hotline Activity for the Reporting Period</u>	
Complaints received	48
Complaints closed pending response from NARA	8
Complaints closed final	81
Complaints open to Investigations	14

Contractor Self Reporting Hotline

As required by the Federal Acquisition Regulation, a web-based form allows NARA contractors to notify the OIG, in writing, whenever the contractor has credible evidence 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>

TOP TEN MANAGEMENT CHALLENGES

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.

One area not identified below is the impact of the major NARA transformation instituted under the direction of Archivist of the United States David S. Ferriero. The organizational structure the Archivist inherited when he came to NARA two short years ago has been radically re-engineered, and the majority of senior staff who held positions of authority under the former Archivist have left the agency. The process of transforming NARA to meet our core mission in this digital age is essential, but organizational transformations by their very nature may precipitate unforeseen challenges to staff and management alike.

1. Electronic Records Archives

NARA initiated the Electronic Records Archive (ERA) program in order to address the challenge of ingesting, preserving and providing access to our nation's electronic records for as long as needed. However, virtually since inception the program has been fraught with delays, costs overruns, and technical short comings and deficiencies. Elements of these problems were identified by NARA's Office of Inspector General and the Government Accountability Office (GAO). In August 2010, OMB placed ERA on its high-priority list of 26 high-risk IT projects selected from across the Federal government. On September 30, 2011 the development contract between NARA and Lockheed Martin Corporation concluded. However, many core requirements were not fully addressed, and ERA lacks the originally envisioned functionality.

The program has now transitioned to an Operations and Maintenance (O&M) phase under a 10-year, \$240 million contract with IBM. The O&M tasks to be performed by IBM, under a firm-fixed-price (FFP) arrangement, include: help desk operations, incident management, problem management, hardware and software maintenance, asset and configuration management, deployment management, capacity management, availability management, security services, backup and recovery services, and ingest operations. The contract will also include replacing and updating the technologies comprising ERA, and developing increased ERA functionality. These additional tasks will be performed under Technical Direction Letters (TDLs) which may be either FFP or time-and-materials (T&M) arrangements.

ERA faces many challenges going forward, including addressing increased volumes of data to be ingested and increased number of users to be supported when ERA use becomes mandatory for all federal agencies starting in September 2012. However, the greatest challenge will be NARA's ability (with vendor support) to effectively meet stakeholder needs, while operating and maintaining a system whose development failed to meet core benchmark requirements and lacks originally envisioned capabilities.

TOP TEN MANAGEMENT CHALLENGES

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.

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 beginning in FY 2007. NARA's Office of Information Services (I) 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. Over five years later, NARA officials continue to work to address weaknesses identified during the assessment.

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. Annual assessments of NARA's compliance with the Federal Information Security Management Act have consistently identified program areas in need of significant improvement. The confidentiality, integrity, and availability of our electronic records and information technology systems are only as good as our IT security infrastructure. GAO issued a report in early FY 2011 identifying significant weaknesses in access controls, and other information security controls, impairing NARA's ability to ensure the confidentiality, integrity, and availability of its information systems. 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.

TOP TEN MANAGEMENT CHALLENGES

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, approximately 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. ERA's diminished access capabilities compound this problem. 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 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 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. Per management, preservation resources have not been able to adequately address the growth in holdings needing preservation action. As a result, backlogs have grown and NARA is not projected to meet its long range performance target for FY 2016. 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

TOP TEN MANAGEMENT CHALLENGES

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.

As an example, GAO reported NARA did not document the results of briefings to its senior management oversight group during the development of NARA's largest IT project, the ERA program. There is little evidence the group identified or took appropriate corrective actions, or ensured such actions were taken and tracked to closure. Without adequate oversight evaluating project progress, including documenting feedback and action items from senior management, NARA will not be able to ensure projects are implemented at acceptable cost and within reasonable time frames. GAO also reports NARA has been inconsistent in its use of earned value management (EVM), a project management approach providing objective reports of project status and early warning signs of cost and schedule overruns. Inconsistent use of key project management disciplines like EVM limits NARA's ability to effectively manage projects and accurately report on their progress.

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. Not only do NARA's holdings have immense historical and financial value, but we hold troves of national security information as well. Developments such as the creation of the Holdings Protection Team and implementation of stricter access controls are welcome additions to NARA's security posture and should be commended. However, NARA must continually strive to improve in this area.

9. Contract Management and Administration

The GAO has identified Commercial Services Management (CSM) as a government-wide initiative. The CSM 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 to improve the management and 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 laws, regulations and best practices.

TOP TEN MANAGEMENT CHALLENGES

10. Strengthening Human Capital

The GAO has identified human capital as a government-wide high risk, explaining it is critical to ensure agencies have the talent and skill mix they need to address their current and emerging human capital challenges. NARA's 2011 results to the Employee Viewpoint Survey (EVS) are largely consistent with the results from previous years, where NARA did not score particularly well. Importantly, NARA continues to lag behind the rest of the Federal government in overall employee satisfaction.

However, NARA recognizes work is needed to improve. NARA is completing a major reorganization. One of the first initiatives was realigning relevant functions into a Human Capital Office reporting directly to the Archivist. The Human Capital Office's top priority will be taking a comprehensive and integrated approach to human capital management throughout the agency. This approach is designed to include a renewed commitment to diversity, a focus on continuous learning, and an emphasis on addressing the needs identified in the Employee Viewpoint Survey. The Human Capital Office will also be charged with developing systems and programs for encouraging and rewarding leadership, service and excellence at all levels. NARA's challenge is to adequately address these issues to change the current situation and effectively recruit, retain, and train the employees needed to achieve its mission.

REPORTING REQUIREMENTS

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

<u>REQUIREMENT</u>	<u>SUBJECT</u>	<u>PAGE(s)</u>
Section 4(a)(2)	Review of legislation and regulations	7, 9
Section 5(a)(1)	Significant problems, abuses, and deficiencies	2 – 4, 10 – 16, 18 – 21
Section 5(a)(2)	Significant recommendations for corrective action	2 – 4, 10 – 16
Section 5(a)(3)	Prior significant recommendations unimplemented	33
Section 5(a)(4)	Summary of prosecutorial referrals	31
Section 5(a)(5)	Information or assistance refused	33
Section 5(a)(6)	List of reports issued	32
Section 5(a)(7)	Summaries of significant reports	2 – 4, 10 – 16
Section 5(a)(8)	Audit Reports—Questioned costs	32
Section 5(a)(9)	Audits Reports—Funds put to better use	33
Section 5(a)(10)	Prior audit reports unresolved	33
Section 5(a)(11)	Significant revised management decisions	33
Section 5(a)(12)	Significant revised management decisions with which the OIG disagreed	33
P.L. 110-181	Annex of completed contract audit reports	29
P.L. 111-203	Reporting on OIG peer review	8

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 the OIG audited the ERA and other contracts during this period, they were generally program audits as opposed to contract audits.

REPORTING REQUIREMENTS

STATISTICAL SUMMARY OF INVESTIGATIONS

<i>Investigative Workload</i>	
Complaints received this reporting period	48
Investigations pending at beginning of reporting period	21
Investigations opened this reporting period	17
Investigations closed this reporting period	14
Investigations carried forward this reporting period	24
<i>Categories of Closed Investigations</i>	
Fraud	5
Conflict of Interest	0
Contracting Irregularities	0
Misconduct	1
Larceny (theft)	2
Other	6
<i>Investigative Results</i>	
Cases referred – accepted for prosecution	2
Cases referred – declined for prosecution	1
Cases referred – pending prosecution decision	4
Arrest	1
Indictments and informations	0
Convictions	3
Fines, restitutions, judgments, and other civil and administrative recoveries	\$33,968.92
NARA holdings recovered	9,389
<i>Administrative Remedies</i>	
Employee(s) terminated	0
Employee(s) resigned in lieu of termination	1
Employee(s) suspended	0
Employee(s) given letter of reprimand or warnings/counseled	0
Employee(s) taking a reduction in grade in lieu of administrative action	0
Contractor (s) removed	1
Individual(s) barred from NARA facilities	0

REPORTING REQUIREMENTS

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

Accepted for Prosecution

Theft of Personal Credit Card

A NARA employee's credit card was stolen and used illegally. The OI worked with local law enforcement and two subjects were eventually arrested. Local authorities accepted the case for prosecution and charged one subject with 28 counts of theft. The second subject is cooperating with the investigation.

Theft of Funds

A NARA employee stole money from an admissions cash register at a Presidential Library. The employee admitted to the theft, and was subsequently arrested by local authorities. The county prosecutor's office accepted the case and adjudication is pending.

Declined for Prosecution

Theft of Personal Credit Card

A NARA employee's credit card was stolen and used illegally. The OI worked with local law enforcement and two subjects were eventually arrested. This investigation was declined for Federal prosecution.

Pending Prosecutorial Determination

Improper Disposition of NARA Property

A non-profit organization participating in the General Services Administration (GSA) Computers for Learning program mishandled excess NARA IT equipment. The joint investigation with the GSA OIG was closed pending a prosecutorial determination by the supporting USAO.

Veteran Benefit Fraud

The OI closed a joint veteran benefit fraud investigation with the VA OIG. VA OIG has completed the investigation and a prosecutorial determination from the supporting USAO is pending.

As part of another ongoing joint investigation with the VA OIG, a former NARA employee admitted using NARA resources to falsify a Bronze Star and a Purple Heart certificate. The subject admitted he submitted falsified documents to receive VA benefits. A prosecutorial decision from the supporting USAO is pending.

Stolen Valor

An individual misrepresented his service record and fabricated a NARA memo. This joint VA OIG investigation is also pending a prosecutorial determination.

REPORTING REQUIREMENTS

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

Report No.	Title	Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
12-02	Audit of the management of Records at the Washington National Records Center (Report #1)	01/03/2012	0	0	0
12-03	Cotton & Company's NARA FY 2011 Financial Statements Independent Audit Report	12/15/2011	0	0	0
12-04	Inadequate Contingency Planning Continues to be a Significant Risk for the ERA System	01/30/2012	0	0	0
12-05	Audit of the Management of Records at the Washington National Records Center (Report #2)	03/27/2012	0	0	\$50,0000
12-07	Audit of NARA's Compliance with the Improper Payment Elimination and Recovery Act of 2010	02/23/2012	0	0	0
12-08	NARA's Reliance on Legacy Systems to Meet Electronic Records Mission Needs	03/30/2012	0	0	\$9,000,000

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	1	\$3,970,827	\$3,970,827
B. Which were issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	1	\$3,970,827	\$3,970,827
C. For which a management decision has been made during the reporting period	0	\$0	\$0
(i) dollar value of disallowed cost	0	\$0	\$0
(ii) dollar value of costs not disallowed	0	\$0	\$0
D. For which no management decision has been made by the end of the reporting period	1	\$3,970,827	\$3,970,827
E. For which no management decision was made within 6 months	1	\$3,970,827	\$3,970,827

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	1	\$434,589
B. Which were issued during the reporting period	2	\$9,050,000
Subtotals (A + B)	3	\$9,484,589
C. For which a management decision has been made during the reporting period	1	\$434,589
(i) dollar value of recommendations that were agreed to by management	0	\$0
Based on proposed management action	0	\$0
Based on proposed legislative action	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	1	\$434,589
D. For which no management decision has been made by the end of the reporting period	2	\$9,050,000
E. For which no management decision was made within 6 months of issuance	0	\$0

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