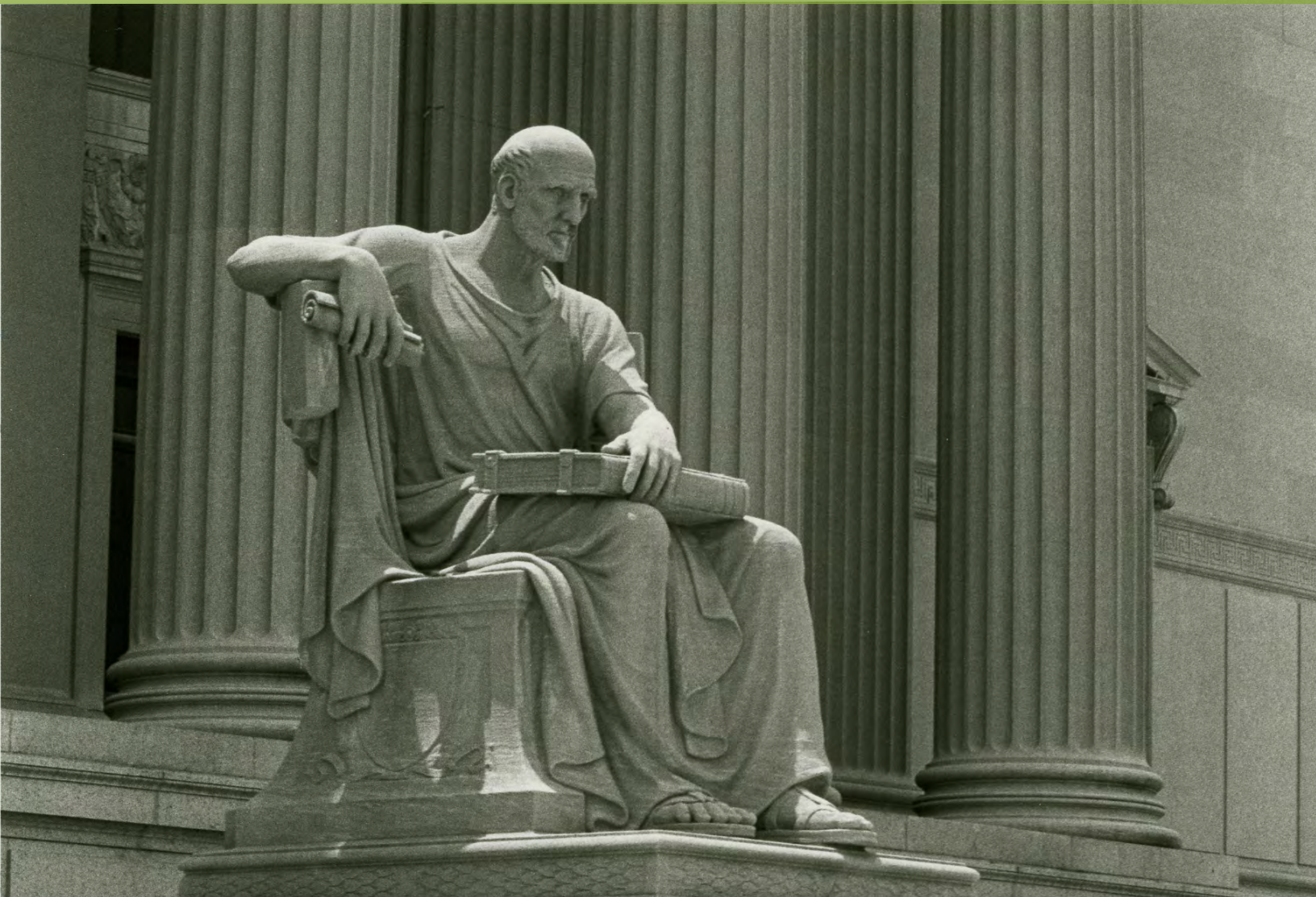




OFFICE *of* INSPECTOR GENERAL
SEMIANNUAL REPORT
to CONGRESS

OCTOBER 1, 2012 *to* MARCH 31, 2013



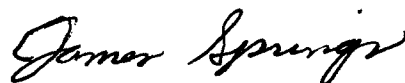
FOREWORD

Along with the rest of the Federal government, the National Archives and Records Administration (NARA) faces a shrinking budget brought on by sequestration and other realities. With this comes the oft-quoted challenge of “doing more with less.” Although we are still in the early stages, it appears NARA’s plan to implement FY 2013 sequestration cuts attempts to preserve the agency mission while minimizing the impact on the public to the greatest possible extent. We realize significant budget reductions at NARA cannot be fully implemented without some noticeable impacts on service to the public. However, we will continue monitoring how NARA’s plan is implemented in the coming months.

Likewise the current budget situation has had a major impact on the Office of Inspector General (OIG); affecting our staff levels and the work we are able to address. This has caused us to rethink our work efforts, focusing on those assignments generating the highest impact to agency programs and operations. However, we remain dedicated, and are confident going forward our work will assist the agency in addressing budget and programmatic concerns. The audits, investigations, and related work highlighted in this Semiannual Report are products of our continuing commitment to promoting accountability, efficiency, and effectiveness in our oversight of the agency’s programs and operations.

This period our audit and investigative efforts continue to focus on strengthening NARA’s internal control environment. Most notably NARA has not implemented an effective internal control program. Multiple reports from the OIG and the Government Accountability Office have highlighted this deficiency since 2009. The audit and investigations reflected in this semiannual report once again identify weaknesses in internal controls and efforts necessary to strengthen NARA programs and operations. It is past time for NARA to devote the efforts necessary to address this ongoing deficiency. We believe a strong internal control environment is key to reducing agency costs, ensuring effective and efficient agency programs and operations, and addressing and managing budget concerns.

I am extremely proud of the men and women of the OIG, the work that they do and the professional manner in which they carry-out their responsibilities and duties. Additionally I appreciate the cooperation of NARA management and staff for its strong support of the OIG mission and commitment to improving NARA through effective oversight.



James Springs
James Springs
Acting 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

This is the 49th 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 functioning of NARA's Information Technology (IT) systems including the 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)

- **Electronic Records Archive (ERA) System's Ability to Preserve Records.** The ERA system is unable to mitigate the risk of electronic format obsolescence. At the end of six years of development and over \$380 million in expenses, the preservation framework delivered is barely functional and does not have the full preservation functionalities identified in the contract, and used to promote the need for this major system acquisition. This is particularly apparent in ERA's inability to automate and scale the process of transforming electronic records into a format independent of specific hardware or software. This condition exists due to a number of inadequacies involving requirements management, acceptance testing, project communication, and status representation. (OIG Audit Report #13-03, dated February 15, 2013. See page 11.)
- **NARA's ERA Executive Office of the President (EOP) System Upgrade Advisory Report.** NARA did not clearly articulate all of the work required to upgrade the ERA EOP system in the Statement of Objectives (SOO). This resulted in incomplete deliverables and a disconnect between NARA and the contractor on the scope of work, causing the upgrade contract to more than double in cost to over \$8.1 million. (OIG Report #13-07, dated January 31, 2013. See page 11.)
- **Status of the Upgrade to the ERA EOP System.** When work started on OIG Report #13-07 discussed above, immediate concerns prompted the issue of this Management Letter before the full report could be finished. We advised the Archivist the effort underway to upgrade the ERA EOP system may experience significant cost increases and implementation delays. According to the SOO, the system required upgrades to storage capacity, hardware, and software to be ready in case there was a change in Presidential administrations in January 2013. We found deliverables due in September 2012 (e.g., Project Management Plan, System Design, Software Design) had not been completed, and there appeared to be a disconnect between NARA and the contractor in terms of the scope of work. (Management Letter #13-02, dated October 18, 2012.)

EXECUTIVE SUMMARY

Programs and Operations

- **NARA's Internal Control Program Report.** NARA has yet to fully establish an effective internal control program (ICP). This is despite NARA's concurring with prior reports issued by NARA's OIG and the Government Accountability Office (GAO) regarding implementing an ICP. Without an effective ICP NARA is vulnerable to a variety of risks which may not be foreseen or mitigated, and is not able to self-identify and appropriately manage significant weaknesses. Additionally, NARA is not able to take advantage of the benefits a well defined and developed program such as improved decision making; risk identification, management, and mitigation; opportunities for process improvement; effective use of budgeted resources; and strategic planning. (OIG Audit Report #13-01, dated December 10, 2012. See page 12.)
- **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 Report #13-06, dated January 31, 2013. See page 13.)
- **NARA's Fiscal Year 2012 Financial Statements.** NARA received an unqualified opinion on their financial statements. There were no material weaknesses in internal control over financial reporting, no significant deficiencies, and no instances of noncompliance with certain provisions of laws and regulations. (OIG Audit Report #13-05, dated December 10, 2012. See page 13.)
- **Vulnerabilities in Managing the Student Workforce at NARA's National Personnel Records Center (AFN).** At least one student employee at the National Personnel Records Center (AFN) may not have been properly enrolled in a college, university, or other approved course of study during a portion of their employment with NARA. Various unofficial documents are being used to initially verify students' required enrollment status, and no reviews are being done to ensure students' enrollment status does not change throughout the semester. This appears to be happening because currently there are no official standards for the allowable enrollment documentation, and no requirements for students to either certify they are maintaining their enrollment status, or show they maintained their status throughout the class period. (OIG Management Letter #13-04, dated December 4, 2012.)

EXECUTIVE SUMMARY

Investigations

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

- A former NARA employee who pleaded guilty to criminal copyright infringement was sentenced to ten weekends in prison, followed by six months of home detention and two years of supervised release.
- The co-conspirator in a case involving the theft of thousands of historical documents from multiple victims was sentenced to a year and a day in prison, followed by two years of supervised release.
- The Archival Recovery Team (ART) recovered a letter written by Ulysses S. Grant which was listed on the Missing Documents webpage.
- ART recovered a document written by Major General George Custer which was also listed on the Missing Documents webpage.
- ART recovered Nuremburg Trial records from a collection of personal papers donated to a private institution.
- ART assisted Presidential Libraries staff in recovering 290 documents from a collection of personal papers donated to a private institution.
- The OI issued a Management Letter 13-04, discussed above, detailing vulnerabilities in the Student Temporary Employment Program (STEP).
- Following an investigation, two NARA employees were each suspended for 10 days for having inappropriate contact in an Archives facility.

The OI opened 11 investigations and 24 complaints for preliminary investigation, while closing 16 investigations and 45 complaints. At the end of this reporting period, the OI had 18 ongoing investigations and 3 complaints. Two investigations and two complaints were referred to NARA management for information or appropriate action. Fifty-two percent of the ongoing investigations and complaints involve the potential alienation of NARA holdings. This number reflects continuing OI efforts to identify and investigate lost, missing, and stolen NARA holdings. The Department of Justice (DoJ) continues to work with the OI on investigations including allegations of theft and destruction of Federal records.

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 4.6 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 approximately 516 terabytes of electronic records. The number of records born and stored solely in the electronic world will only continue to grow, thus NARA developed the Electronic Record Archives to attempt 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 2012, NARA had 44 million online visits in addition to hosting 3.0 million traditional museum visitors, all while responding to nearly one 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) 2013, NARA requested an annual budget of approximately \$382.7. FY 2013 will run under a Full-Year Continuing Resolution funding operations at FY 2012 levels minus a 0.2% rescission, or approximately \$391 million for NARA. However, with the mandatory spending cuts under sequestration, NARA is expected to be funded at approximately \$371 million for FY 2013. With approximately 3,266 (estimated) Full-time Equivalents (FTEs), NARA operates 40 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 our mission 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 2012, Congress provided \$4.1 million for the OIG's appropriation, including authorization for 23 FTEs. FY 2013 will run under a Full-Year Continuing Resolution funding operations at FY 2012 levels, minus a 0.2% rescission. However, mandatory spending cuts under sequestration have left the OIG's FY 2013 budget at approximately \$3.9 million. At full staffing, personnel expenses account for approximately 93% of the OIG budget. A continual worry has been the OIG would not have funding to investigate an incident outside of Washington D.C. at the end of the fiscal year. It is not prudent to ask for appropriated funds each year for such a contingency. Instead we have sought a limited transfer provision from NARA, so we could ask for available end-of-year funds such a circumstance. However, NARA does not support our position and states they will not request such a transfer provision.

The OIG maintained one Special Agent and two audit vacancies. One Special Agent vacancy was filled. Currently the OIG employs one Inspector General, one support staff, nine FTEs devoted to audits, six 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 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. OIG counsel joined the Investigations Committee Program Fraud Civil Relief Act (PFCRA) working group, helping draft a PFCRA manual for IG-wide use.

Council of Counsels to Inspectors General (CCIG)

The OIG counsel continues to be an active member of the CCIG. 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.

CIGIE Training Institute

The OIG counsel taught at the IG Authorities course presented by the CIGIE Training Institute.

Whistleblower Ombuds Working Group (WOWG)

In accordance with the spirit of the Whistleblower Protection Enhancement Act of 2013, the OIG is forming a whistleblower ombuds program, and is working with the WOWG to learn best practices and implement an effective training program.

ACTIVITIES

Management Assistance and Other Work

- Provided comment and input into several NARA directives and regulations covering a variety of topics. This included NARA 318, Human Capital Accountability; NARA 203, NARA Corporate Records Management Program; and NARA 232, Parking at A2.
- Informed management of new non-disclosure agreement language required by the Whistleblower Protection Enhancement Act of 2013.
- 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.
- Worked with management to restore electronic files and provide OIG records during discovery in a lawsuit against NARA.
- Provided management with OMB requested information on OIG preparation for sequestration.

Peer Review Information

Peer Review of NARA OIG's Audit Organization

The NARA OIG audit function was last peer reviewed by the Federal Communications Commission (FCC) OIG in accordance with the Government Accountability Office's *Government Auditing Standards* (GAS) and CIGIE guidelines. 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.

NARA's next audit organization peer review is scheduled for late 2013.

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. The peer review is currently scheduled for late 2014.

ACTIVITIES

Response to Congressional Items

Information on Audit Recommendations

The House Oversight and Government Reform Committee requested, and was provided with, information regarding the OIG's five highest priority short-term and long-term recommendations to improve agency efficiency and reduce waste. Also provided was information concerning how agency management solicits input from the OIG on how to improve efficiency and reduce waste.

Information on NARA's Efforts to Confront the Growing Threat of Climate Change

The Bicameral Task Force on Climate Change requested, and was provided with, information on NARA's efforts to confront the growing threat of climate change. This information included the identification of climate change laws and regulations applicable to NARA; an assessment of NARA's compliance with these requirements; and suggestions for future efficiencies and program effectiveness relating to NARA's climate change efforts.

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: continuous monitoring management, configuration management, identity and access management, incident response and reporting, risk management, security training, plans of actions and milestones, contingency planning, contractor systems, security capital planning, and continuing weaknesses. Overall we found that NARA needs significant improvements in ten of the 11 program areas to be consistent with FISMA and National Institute of Standards and Technology (NIST) requirements.

Constituent Help Finding Government Records

After receiving an informational request, we assisted a Congressional office in guiding a constituent in how to find and retrieve needed government records.

AUDITS

Audit Overview

This period, we issued:

- four final audit reports;
- one audit memorandum¹; and
- two management letters.²

We completed fieldwork on audits of:

- NARA's Electronic Records Archives System's Ability to Ingest Records, to determine the effectiveness, efficiency and capability of the system to ingest electronic records now and in the near future;
- NARA's Data Back-up Operations, to determine whether NARA has effective systematic, accountable, and documented processes in place for restoring original data after a data loss event;
- NARA's Preservation Program, to determine if program controls are adequate in order to meet NARA's mission of preserving Federal records;
- The Processing of Textual Records, to evaluate and assess the controls over the process of making archival records available to the public; and
- NARA's Intrusion Detection System, to determine whether adequate controls are in place to safeguard NARA's information system network, assets, and critical information.

We initiated work on audits of:

- Selected Aspects of NARA's Digitization Program, to determine whether management controls are adequate to address agency and customer needs and ensure greater access to NARA holdings; and
- NARA's Rental Payments to Federal Agencies, to determine if rental payments to federal agencies other than to GSA are appropriate, the interagency agreements are in NARA's best interest, and NARA is receiving services in accordance with the agreements.

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.

Audit Summaries

Electronic Records Archive (ERA) System’s Ability to Preserve Records

The initial contract for the ERA system states “the purpose of the ERA system is to enable NARA to realize its strategic vision: ‘ERA will authentically preserve and provide access to any kind of electronic record, free from dependence on any specific hardware or software, enabling NARA to carry out its mission into the future.’” After over six years of development and an evolving system purpose, the preservation framework delivered is barely functional and the scope of its capabilities has been greatly reduced. Of all the electronic file formats used by the Federal government, the preservation framework was only able to process one type of format. However, the ERA system could not automatically recognize different file types, so preservation actions for even this one format could not be automated. Further, the status of ERA’s preservation framework was not accurately portrayed to stakeholders.

Our audit assessed NARA’s capability to preserve electronic records to ensure the continued existence, accessibility, and authenticity of electronic records over time. Further, we assessed future plans for increased functionality. Although NARA’s ERA system completed its developmental phase, the preservation functionalities identified in the contract and used to promote the need for this major system acquisition were not fully achieved. This was particularly apparent in the system’s inability to automate and scale the process of transforming electronic records into a format independent of specific hardware or software. This condition exists due to a number of inadequacies involving requirements management, acceptance testing, project communication, and status representation.

As a result, the ERA system is currently unable to mitigate the risk of electronic format obsolescence—a major objective identified by NARA in carrying out its mission into the future. Further, with the decreased funding and limited resources available among competing priorities in the Operational and Maintenance phase of the program, the likelihood of the ERA system meeting the preservation mission needs in the foreseeable future is further challenged.

Our audit identified several improvements to be made in further ERA preservation enhancements and efforts. We made five recommendations to more accurately identify the ERA system’s preservation functionality and to further ensure future enhancements are reflective of NARA’s needs. Management concurred with all five of the recommendations. (Audit Report #13-03, dated December 10, 2012.)

ERA Executive Office of the President (EOP) System Upgrade In 2012 we asked NARA officials what actions were being taken to plan for the possible receipt of the current administration’s electronic records, should a change in administration take place. Management stated a firm-fixed-price contract for approximately \$3.6 million was issued to provide planning, architectural design, engineering, integration, testing, acceptance and security authorization upgrades to the EOP System. According to the contract’s Statement of Objectives (SOO), the EOP required upgrades to storage capacity, hardware, and software to be ready in the event that there was a sizeable transfer of electronic records under the Presidential Records Act in January 2013.

AUDITS

The audit found NARA did not clearly articulate all of the work required to upgrade the EOP System in the SOO, nor did this project go through NARA's Capital Planning and Investment Control (CPIC) process. As a result, the contract value more than doubled to over \$8.1 million.

The contract was intended as a turnkey solution for upgrading the EOP System, and NARA planned on receiving a fully implemented, usable system from the contractor. However, about a month into the contract a disconnect arose between the contractor and NARA. NARA and the contractor agreed the SOO did not include all of the necessary requirements to fully implement the upgraded EOP System. Based on this, the contractor prepared a revised proposal based on a different set of assumptions.

NARA management stated the SOO did not fully explain the effort required, causing functional gaps, and the work effort initially priced by the contractor did not fully include the entire scope of the EOP upgrade due to the gaps. In some cases the gaps were due to evolving programmatic requirements from EOP business customers, and in other cases NARA provided additional technical requirements after determining the vendor had initially made incorrect assumptions about the required services. NARA management stated there were several disconnects between the needs expressed in the SOO and the vendor's understanding of those needs, especially regarding what constituted comprehensive products and services.

Further, the EOP upgrade did not go through NARA's CPIC process; a structured approach for managing IT investments, legislatively mandated and used by all Federal Agencies. As a result, staff time spent on procurement activities was increased due to additional meetings and discussions on the disconnects with the SOO, and in preparing modifications to the original contract. In addition, the opportunity to identify potential issues with the system was diminished. The NARA official tasked with oversight of the CPIC process stated if the EOP upgrade had gone through NARA's CPIC process, he believed at least some of these issues and missing requirements would have been flushed out during discussion and review.

We suggested that for any future upgrades or development activities related to the ERA System and any of its instances, the contract documents clearly articulate the technical requirements and the roles and responsibilities of NARA and the vendor. We also agree with the NARA official overseeing the CPIC process that had the EOP upgrade gone through the CPIC process some of these issues may have been alleviated. (OIG Advisory Report #13-07, dated January 31, 2013.)

NARA's Internal Control Program Report

NARA has yet to fully establish an effective internal control program (ICP). This condition has been previously highlighted in two prior NARA OIG audits and a report by the Government Accountability Office (GAO). Our previous audits were NARA's Internal Control Program including Evaluation of NARA's FY2008 Management Control Program (OIG Audit #09-14), and NARA's Internal Control Program (OIG Audit #10-19). Our 2010 report identified NARA had not implemented a formalized ICP and recommendations from the previous audit report had not been addressed.

In the current audit we noted the ICP still had not been implemented because of the (1) complex nature of the ICP and lack of understanding of the benefits, (2) lack of attention to the ICP, and

AUDITS

(3) lack of resources provided. By not implementing the ICP, NARA is vulnerable to a variety of risks which may not be foreseen or mitigated. NARA is also not able to self-identify and appropriately manage significant weaknesses, such as those identified in prior and current audits performed by the OIG. Additionally, NARA is not able to take advantage of the benefits of a well defined and developed ICP, such as (1) improved decision making, (2) risk identification, management, and mitigation (3) opportunities for process improvement, (4) effective use of budgeted resources, and (5) strategic planning.

We made one recommendation to address the finding identified in the report and to assist management in the development, implementation, and operation of NARA's ICP. Management concurred with the recommendation. Additionally, four recommendations from our previous audit reports remain open. (OIG Audit Report #13-01, dated December 3, 2012.)

Compliance with 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 2012 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's FY 2012 Performance and Accountability Report did not identify any programs or activities susceptible to significant improper payments, and NARA determined payment recapture audits would not be cost-effective. Based on OMB Memorandum M-11-16, NARA reviewed all programs and activities they administered last year, and determined those programs and activities were not susceptible to risk of improper payments. NARA is not required to do another review until FY 2014.

We reviewed NARA's internal control tests and reviews used to identify improper payments, and believe NARA instituted sufficient internal controls to identify improper payments. As a result, we believe NARA is in compliance with the intent of the IPIA. (OIG Audit Memorandum Report #13-06, dated January 31, 2013)

NARA's Fiscal Year 2012 Financial Statement Audit

We contracted with Cotton & Company LLP (C&C), a public accounting firm, to audit NARA's Consolidated Balance Sheets as of September 30, 2012 and 2011, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources. C&C issued NARA an unqualified opinion on NARA's FY 2012 and 2011 financial statements. C&C disclosed no material weaknesses, significant deficiencies or instances of noncompliance with certain provisions of laws and regulations. There were no recommendations.

We monitored C&C to ensure the audit was conducted in accordance with the contract, and in compliance with the Government Accountability Office's *Government Auditing Standards* and other authoritative references, such as OMB Bulletin No. 7-04, Audit Requirements for Federal Financial Statements. 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 #13-05, dated December 10, 2012.)

INVESTIGATIONS

Investigations

The Office of Investigations (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 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 investigations. General investigations encompass the entire spectrum of criminal and administrative investigations, including such topics as procurement fraud, employee misconduct, and cyber crimes. Archival recovery 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 five 1811 series criminal investigators and an Investigative Archivist. The OI is based in Archives II in College Park, MD but conducts investigations at all NARA locations across the country. The OI maintains a close relationship with NARA Security Services to coordinate law enforcement efforts impacting NARA. Specifically, the Investigative Archivist routinely coordinates efforts with the Holdings Protection Team, a NARA Security Services unit charged with proactively protecting and securing NARA holdings. We also liaise with the Department of Justice (DoJ), the OIG community, and other law enforcement agencies and organizations.

Investigative Initiatives

While conducting reactive investigations or actively assessing NARA's risk for fraud, the OI may identify vulnerable activities, programs, or procurements. As a result, the OI may open investigative initiatives to determine if fraud or other criminal activity has occurred, or to identify specific agency vulnerabilities. Findings from these initiatives may result in Management Letters, spin-off investigations, referrals to audits, or other reports to Agency management.

The OI closed two proactive investigations during this reporting period documenting initiatives related to Federal Employee Compensation Act fraud and information security violations. The OI also opened four new initiatives to review NARA's administration of Energy Savings Performance Contracts, collect intelligence on information security violations, and collect intelligence related to archival recovery efforts.

This reporting period the OI issued a Management Letter highlighting vulnerabilities in the STEP program at the National Personnel Records Center. The letter highlighted concerns with how NARA determined student eligibility and encouraged the Agency to require official transcripts as proof of college or university enrollment. (See page 3.)

INVESTIGATIONS

Overall Activity Summary

At the end of the last reporting period, 21 investigations were open. During this reporting period, 11 investigations were opened and 16 were closed. Two of the closed investigations were referred to NARA for action. At the end of this reporting period, 18 investigations were open.

General Investigations

Updates on Previously Reported General Investigations

Former NARA Employee Guilty of Copyright Infringement

As a result of an OI investigation involving the execution of three search warrants, a NARA employee pleaded guilty to criminal copyright infringement. The employee was terminated, and subsequently was sentenced to ten weekends in prison, followed by six months of home detention and two years of supervised release.

Veteran Falsified Service Record using Fabricated NARA Memo

An individual misrepresented his service record and fabricated a NARA memo in support of an application to receive Veteran Administration (VA) benefits. This case was accepted for prosecution of benefit fraud and theft only. The OI has referred all findings to the VA OIG.

Employees Engaged in Sexual Misconduct

Two NARA employees admitted to engaging in sexual acts while on duty. The acts were consensual and linked to a financial arrangement between the two employees. The case was declined for criminal prosecution and NARA initiated administrative action.

Removal and Destruction of Records

The OI continues to investigate the removal and destruction of Federal records. This investigation is open and ongoing.

Child Pornography Allegations

The OI referred to agency management the results of an investigation into allegations a NARA employee accessed internet child pornography. The OI found no evidence the employee accessed child pornography from a NARA computer.

New General Investigation Highlights

Potential for Procurement Fraud in Equipment Acquisition

The OI initiated an investigation into concerns of fraud and mismanagement in an acquisition for equipment at multiple NARA facilities. This investigation is ongoing.

Investigative Initiative to Review NARA Energy Savings Performance Contracts

The OI initiated a review of Energy Savings Performance Contracts at Archives I and Archives II. The information collected was referred to the Office of Audit for inclusion in any future audit of NARA's energy savings efforts.

INVESTIGATIONS

Potential Transportation Benefit Fraud

The OI continues an investigation into potential transportation benefit fraud. The case was initiated based on a referral from the Office of Audit.

Archival Recovery Team (ART) Activity

ART is a concept that embodies the OI's focus on recovering alienated federal records. ART is the teaming of agents with the expertise of an Investigative Archivist. These teams often work 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 the DoJ for potential criminal prosecution. ART also refers internal thefts to NARA management for administrative action.

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, our Investigative Archivist helps establish whether the record should have been accessioned into NARA's holdings. If the record should have come to NARA, ART 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. This reporting period ART attended the Low Country Civil War show in Mt. Pleasant, SC and the Washington Antiquarian Book Fair in Arlington, VA. Additionally, ART made presentations at the Smithsonian Institution and Archives I, both in Washington, DC.

ART 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>.

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This reporting period ART also relied upon a NARA volunteer to search an internet auction site for federal documents. 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. Two records on the Missing Document list were recovered this reporting period. ART's Missing Documents email also received seven inquiries this period.

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 document in private hands, please email ART at MissingDocuments@nara.gov.

Updates on Previously Reported ART Investigations

Presidential Historian Sentenced for 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 stole materials from numerous museums and other institutions, including seven reading copies of presidential speeches from the Franklin D. Roosevelt Library. One subject, a presidential historian, was sentenced on June 27, 2012 to seven years in Federal prison, followed by three years of supervised release. On November 9, 2012, the co-conspirator was sentenced to a year and a day in prison, followed by two years of supervised release. ART returned the seven speeches to the Franklin D. Roosevelt Library and continues efforts to return thousands of additional items to their rightful institutions.

Missing Nuremberg Documents Found

Two documents missing for approximately 15 years from NARA's Treasure Vault at the College Park, MD facility were found in a collection of boxes containing miscellaneous documents. Both documents were part of an exhibit presented by the prosecution at the Nuremberg Trials. The findings of this investigation were referred to the Holdings Protection Team for review and potential action.

Classified Material Unaccounted For at a NARA Records Center

An OI investigation into approximately 1,400 boxes of classified material which had been identified as potentially missing from a NARA records center was closed pending completion of inventory validation of the facility's classified records holding area. The inventory is progressing and the OI will re-open or close final this investigation once the inventory resolution efforts are complete and we have been briefed on the results.

INVESTIGATIONS

Document Signed by Revolutionary War General

ART had discovered a document signed by Revolutionary War General Peter Muhlenberg for sale. The document is consistent with holdings at the NARA Mid-Atlantic region. ART previously referred this document to management for recovery, but additional investigation is now necessary to determine to whom the document was sold. The investigation is ongoing.

New ART Investigative Highlights

Recovery of Nuremberg Trial Record

The OI assisted Research Services, Washington, DC in reviewing papers donated to a private institution. The review revealed one NARA record - an original page from the official Nuremberg Trial interrogation report of General Alfred Jodi, dated October 2, 1945. The record has been returned to NARA custody.

Recovery of Grant Document

ART recovered a letter from Lt. General Ulysses S. Grant to Maj. General John Pope, dated March 7, 1865. The letter was listed on the Missing Documents webpage, and was found for sale on an auction website. The auction house voluntarily returned the document. However, the OI investigation did not determine how and when the document was removed from NARA, or by whom.

Recovery of a U.S. Army Continental Command Record

ART recovered a Weekly Station & Effective Force Report for the 2nd Cavalry Division, dated October 2, 1865 and authored by Major General George Custer. ART worked in conjunction with a private dealer to locate, authenticate, and recover the missing document, which is believed to have been stolen from NARA. The report had been listed on the Missing Documents webpage and an investigation is ongoing.

Recovery of Civil War Era Cargo Manifests

ART assisted NGC in the collection of 50 Civil War era cargo manifests from the Port of Philadelphia. The documents were donated to NARA by a private dealer.

Recovery of Presidential Library Materials

NARA Presidential Libraries personnel reviewed 11 archival boxes of materials from personal papers donated to a private institution. 290 documents were determined to be from holdings of the Eisenhower, Johnson, Kennedy, Nixon and Truman Libraries. All 290 documents were retained by NARA, and the remaining materials will be returned to the institution.

Harry Truman Letters

A private auction house offered for sale a collection of personal letters sent from Harry S. Truman. NARA contacted the seller, who generously offered to donate the letters to NARA.

Documents Missing from NARA Records Center

The OI referred to NARA management the findings of a preliminary investigation revealing 16 files were missing from a Federal Records Center. The investigation found no evidence the files were intentionally removed or otherwise alienated from NARA, and efforts are ongoing to locate

INVESTIGATIONS

the files which are believed to have been misfiled. NARA has also initiated new procedures to better track the chain of custody for transferred documents.

Referrals for Recovery of Alienated Documents

The following referrals either remained ongoing, or were acted on during this reporting period.

- Page Missing from a U.S. Naval Deck Log
A NARA researcher found a page was missing from a deck log for the U.S.S. Malvern. The page documents a visit by President Abraham Lincoln to the city of City Point, VA on March 25-26, 1865. The missing page was located at another institution and coordination is ongoing.
- Life-Saving Station Log Book
A NARA employee found a life-saving station log book at another institution. The log book is consistent with holdings at the NARA Mid-Atlantic Region and NARA management and NGC have agreed to seek recovery.
- Alienated State Department Document for Sale
A NARA researcher found a document at for sale that may be part of a State Department record. The historically significant document contains handwritten annotations from President Franklin D. Roosevelt. NARA management is considering recovery.
- Letter from JFK to General Maxwell Taylor for Sale
Staff at the John F. Kennedy Library found a letter from President Kennedy to his National Security Advisor for sale. NARA management is considering recovery.
- Historic Letter for Sale
ART found a letter for sale believed to have been alienated from NARA holdings. The letter is dated May 12, 1861 and concerns troops being fired upon by a mob in St. Louis, MO. NARA management is considering recovery.
- Records of the U.S. Coast Guard
Historical records related to Coast Guard activities in Philadelphia during World War II were sold online. These records are consistent with those held in the Mid-Atlantic Region and NARA management is considering recovery.
- Department of Interior Photographs
Photographic negatives commissioned by the U.S. Department of Interior were donated to a public university. NARA management is considering recovery.
- Classified Documents in Personal Papers
Classified documents were found among personal papers donated to a public university. Presidential Library staff members are reviewing the documents for declassification and to identify any which should be among NARA's holdings.

INVESTIGATIONS

Computer Crimes Unit

In 2005, NARA OIG established a Computer Crimes Unit (CCU) within the OI. Typical digital evidence forensic support services included computer and computer storage examination, volatile and flash memory storage device examination, on-site computer hard drive imaging, data analysis to determine evidentiary value, and technical training. In November 2012, the OI's one CCU investigator transferred to another agency and the position has remained vacant.

The vacant Special Agent in Charge of ART position was merged with the CCU investigator position to create a new senior criminal investigator position. An individual has been selected to manage the digital forensics program and is expected to start in April 2013. The selectee will revitalize the digital forensics program and may establish new policies, procedures and protocols for collecting, securing, and examining digital evidence.



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	24
Complaints closed pending response from NARA	2
Complaints closed final	43
Complaints open to Investigations	7

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>.

SIGNIFICANT DISAGREEMENTS

Significant Disagreements with Management Decisions

Under the IG Act, as amended, the OIG reports “information concerning any significant management decision with which the Inspector General is in disagreement.”

In October 2012, we reviewed NARA’s FY 2012 Draft Federal Manager’s Financial Integrity Act (FMFIA) statement. We disagreed with the assurance statement for Section 2 of the FMFIA reporting requirements because the agency had not implemented an entity-wide internal control program (ICP). Without an ICP the agency is not able to identify all of the existing risks and potential material weaknesses across the agency. Until NARA implements an ICP they will continue to underreport material risks related to NARA programs.

Additionally, we believed the FY 2012 agency assurance statement underreported material weaknesses and did not accurately reflect the breadth of risks in NARA’s Processing, Electronic Records Management, and Information Security Programs.

NARA’s Processing Programs

NARA’s FY 2012 assurance statement downgraded the Processing Program from a material weakness to a reportable condition. NARA made this decision based on the current state of Federal records processing, the strides the agency has made in the last six years, and the current focus on reengineering processing work. Although the agency has made progress in processing records by reducing the backlog to 40% of NARA’s holdings, we believe the agency should continue to identify the program as a material weakness.

We base this decision on the following:

- In September 2012 Processing Program management reported to the Management Control Oversight Council (MCOC) that the large backlog of unprocessed traditional records impedes NARA’s ability to provide efficient and effective access and impacts NARA’s mission. Additionally, they indicated a new concern was raised in FY 2012 regarding serving unprocessed records (or inadequately processed records) to researchers which could result in the unintentional disclosure of restricted or controlled information (e.g. law enforcement, PII, or other restricted information).
- Preliminary findings from our current Audit of NARA’s Processing Program indicate work remains to be done and additional controls need to be put in place to address the backlogs. Some of those preliminary findings are:
 - (1) While various studies have been conducted and are still ongoing, management is not firm and confusion exists on the current definition of processing and what procedures actually constitute processing of records at NARA.
 - (2) There is a lack of coordination between the Regions, Libraries, and Research Services as there is no one group providing oversight over the Processing Program. While there is an agency wide processing goal, the individual areas (Research Services, Regions, and Libraries) are operating in silos regarding plans on how to decrease their individual backlogs and meet the overall agency goal.

SIGNIFICANT DISAGREEMENTS

- (3) Some Regions are still using old guidance and processing plans from 2008 to process their backlog. These processing plans have not been revised to reflect each Region's varying levels of backlog and resource availability.

Until these factors are addressed, NARA's ability to meet its mission will be affected.

NARA's Electronic Records Management Program

NARA's FY 2012 assurance statement reported the Electronic Records Management program as a control deficiency instead of a material weakness. This decision was predicated on the issuance of Presidential Records Management Directive and OMB M-12-18, which is an Executive Branch-wide effort to reform records management policies and practices and to develop a 21st-century framework for the management of Government records. As a result of the directive the Office of Chief Records Officer (CRO) has stood up a project management team to carry out implementation and oversight of the activities contained in the directive.

Management believes the activities in OMB M-12-18 will serve to guide the development of the CRO's operational plans for years to come, and serve as an action plan against which NARA can monitor and assess progress. However, the directive does not mitigate the existing risks outlined in our 2010 audit report, OIG #10-04, *NARA's Oversight of Electronic Records Management in the Federal Government*. The report found NARA did not have adequate controls in place to protect permanent Federal electronic records from loss. Specifically, we reported NARA could not reasonably ensure permanent electronic records are being adequately identified, maintained, and transferred to NARA in accordance with federal regulations. Until sufficient controls have been implemented to minimize these risks, NARA should classify this program as a material weakness.

NARA's Information Security Program

The Information Security Program was reframed by management in FY 2012 as a material weakness consisting of the risks posed by the need to improve controls over resolving, responding to, tracking, and closing recommendations in a systematic, consistent, and timely manner. Management's assessment does not represent the true material weakness. Actions taken to risk-rank open recommendations, and to develop metrics to track how Information Services is managing recommendations, will not be sufficient to correct the underlying problems continuing to plague NARA's Information Security Program. Until defined roles and responsibilities, continuous monitoring of internal controls and repeatable processes are put in place, the program will continue to be a material weakness.

Further, OIG, GAO, and NARA internally contracted studies continue to identify information security areas where policies or procedures are needed or where management needs to implement existing policies and procedures. Management has made some progress in establishing IT security policies. However, documented procedures developed from those policies are needed. Once policies and procedures are in place, NARA can begin to implement those policies and procedures and ensure they are being followed by testing the implementation.

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.

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 identified by our office and the Government Accountability Office (GAO). In August 2010, the Office of Management and Budget (OMB) placed ERA on its high-priority list of 26 high-risk Federal IT projects. 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 is now in 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 also includes replacing and updating the technologies comprising ERA, and correcting and adapting ERA functionality as necessary to meet stakeholder needs. 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 now that ERA use is mandatory for all Federal agencies. 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. Further complicating this task, the Archivist recently testified to Congress that due to funding issues NARA will not be able to address concerns raised by ERA users and the OIG.

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

TOP TEN MANAGEMENT CHALLENGES

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.

In November 2011 a Presidential Memorandum titled *Managing Government Records* was issued. This began a new Executive Branch-wide effort to reform records management policies and practices. In August 2012, the Office of Management and Budget (OMB) issued Memorandum 12-18, *Managing Government Records Directive*, creating a robust records management framework. This Directive requires agencies, to the fullest extent possible, to eliminate paper and use electronic recordkeeping. It is applicable to all executive agencies and to all records, without regard to security classification or any other restriction. This Directive also identifies specific actions to be taken by NARA, OMB, and the Office of Personnel Management (OPM) to support agency records management programs. Agencies must manage all permanent electronic records in an electronic format by December 31, 2019, and must manage both permanent and temporary email records in an accessible electronic format by December 31, 2016. NARA, its Government partners, and Federal agencies are challenged with meeting these deadlines, determining how best to manage electronic records in accordance with this guidance, 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. A 2011 GAO report identified significant weaknesses in access controls and other information security controls. In FY 2012, an OIG audit performed by contractors identified multiple deficiencies with NARA's network architecture, many of which stem from the lack of strategic planning with regard to the redundancy and resiliency and overall design of the network. These issues not only allow for security and performance problems, but they inhibit NARA IT management from effectively establishing a tactical and innovative strategy for the next generation of NARA's network. 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 NARA's own facilities, as well as those used by other Federal agencies, are in compliance with these regulations; and to effectively mitigate risks to records which are stored in facilities not meeting these standards.

6. Preservation Needs of Records

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. Further, NARA's primary tool for preserving electronic records, the ERA system, has not delivered the functionality necessary to address record format obsolescence (see OIG Challenge #1). 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 for the agency. 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.

10. Management of Internal Controls

OMB Circular A-123, *Management's Responsibility for Internal Control*, explains management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. GAO has reported NARA has not established an enterprise risk

TOP TEN MANAGEMENT CHALLENGES

management capability, thus reducing its ability to anticipate future challenges and avoid potential crises. Currently, the agency has not established an effective internal control program, and OIG audit recommendations from as far back as FY 2009 concerning an internal control program have yet to be implemented. Thus, NARA is vulnerable to risks that may not be foreseen or mitigated, and does not have the ability to self-identify and appropriately manage or mitigate significant deficiencies. Establishment of an internal control program is critical as it provides several benefits including (1) improved decision making, (2) risk identification, management, and mitigation, (3) opportunities for process improvement, (4) effective use of budgeted resources, and (5) strategic planning. NARA's challenge is to ensure the agency is in compliance with OMB Circular A-123; and to develop and fully implement an internal control program.

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
Section 5(a)(1)	Significant problems, abuses, and deficiencies	2 – 4, 11 – 13, 15 – 18
Section 5(a)(2)	Significant recommendations for corrective action	2 – 4, 11 – 13
Section 5(a)(3)	Prior significant recommendations unimplemented	12, 32
Section 5(a)(4)	Summary of prosecutorial referrals	31
Section 5(a)(5)	Information or assistance refused	32
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Section 5(a)(8)	Audit Reports—Questioned costs	32
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Section 5(a)(11)	Significant revised management decisions	32
Section 5(a)(12)	Significant management decisions with which the OIG disagreed	22 – 23, 32
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REPORTING REQUIREMENTS

STATISTICAL SUMMARY OF INVESTIGATIONS

<i>Investigative Workload</i>	
Complaints received this reporting period	24
Investigations pending at beginning of reporting period	21
Investigations opened this reporting period	11
Investigations closed this reporting period	16
Investigations carried forward this reporting period	18
<i>Categories of Closed Investigations</i>	
Fraud	1
Conflict of Interest	1
Contracting Irregularities	1
Misconduct	2
Larceny (theft)	7
Other	4
<i>Investigative Results</i>	
Cases referred – accepted for prosecution	0
Cases referred – declined for prosecution	0
Cases referred – pending prosecution decision	0
Arrest	0
Indictments and informations	0
Convictions	0
Fines, restitutions, judgments, and other civil and administrative recoveries	\$0
NARA holdings recovered	293
<i>Administrative Remedies</i>	
Employee(s) terminated	0
Employee(s) resigned	0
Employee(s) suspended	2
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	0
Individual(s) barred from NARA facilities	0

REPORTING REQUIREMENTS

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

Accepted for Prosecution

None.

Declined for Prosecution

None.

Pending Prosecutorial Determination

None.

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

Report No.	Title	Date	Questioned Costs	Unsupported Costs	Funds Put to Better Use
13-01	Audit of NARA's Internal Control Program	12/10/2012	0	0	0
13-03	Audit of the Electronic Records Archives System's Ability to Preserve Records	02/15/2013	0	0	0
13-05	NARA's FY 2012 Financial Statement Audit	12/10/2012	0	0	0
13-06	Audit of NARA's Compliance with the Improper Payment Elimination and Recovery Act of 2010	01/31/2013	0	0	0
13-07	Status Update of the Electronic Records Archives Executive Office of the President System Upgrade	01/31/2013	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	0	\$0	\$0
Subtotals (A + B)	0	\$0	\$0
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	0	\$0	\$0
E. For which no management decision was made within 6 months	0	\$0	\$0

OTHER REQUIRED REPORTS

REQUIREMENT	CATEGORY	SUMMARY
5(a)(3)	Prior significant recommendations unimplemented	See information on NARA's Internal Control Program on pages 3 and 12.
5(a)(5)	Information or assistance refused	None
5(a)(10)	Prior audit reports with no management decision	None
5(a)(11)	Significant revised management decisions	None
5(a)(12)	Significant management decisions with which the OIG disagreed	See pages 22 and 23.

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	\$9,059,262
B. Which were issued during the reporting period	0	\$0
Subtotals (A + B)	3	\$9,059,262
C. For which a management decision has been made during the reporting period	0	\$0
(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	0	\$0
D. For which no management decision has been made by the end of the reporting period	3	\$9,059,262
E. For which no management decision was made within 6 months of issuance	3	\$9,059,262

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.

