

## SECTION 4

# OTHER ACCOMPANYING INFORMATION

## ***INSPECTOR GENERAL'S ASSESSMENT OF MANAGEMENT CHALLENGES FACING NARA***

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

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 shortcomings 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 now that ERA use has become 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.

*Audits, investigations, and reviews performed in FY 2012:*

- Inadequate Contingency Planning Continues to be a Significant Risk for the ERA System (Advisory Report)
- Access to Records in the Base Electronic Records Archive System
- The National Archives and Records Administration's Reliance on Legacy Systems to Meet Electronic Records Mission Needs (Advisory Report)
- Management Letter on Contract Oversight

## **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.

In November 2011, Presidential Memorandum – Managing Government Records was signed. This memorandum marked the beginning of 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. In August 2012, OMB issued Memorandum 12-18, Managing Government Records Directive. This Directive creates a robust records management framework that complies with statutes and regulations to achieve the benefits outlined in the Presidential Memorandum. This Directive requires that to the fullest extent possible, agencies 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 that will be taken by NARA, the Office of Management and Budget (OMB), and the Office of Personnel Management (OPM) to support agency records management programs.

*Audits, investigations, and reviews performed in FY 2012:*

- Audit of the Management of Records at the Washington National Records Center

### 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 GAO report issued in FY 2011 identified significant weaknesses in access controls and other information security controls. In FY 2012, the NARA OIG contracted with Information Management Resources, Inc to assess NARA's current and planned network architecture and design and provide recommendations to improve performance, security, and efficiency of the network. The audit identified multiple deficiencies with the 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 NARANet. 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.

*Audits, investigations, and reviews performed in FY 2012:*

- Management Letter on Network Outage
- Audit of the Data Center Consolidation Initiative at NARA
- IMRI Network Discovery and Assessment Report
- Audit of NARA's Classified Systems

### 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.

*Audits, investigations, and reviews performed in FY 2012:*

- Audit of the Management of Records at the Washington National Records Center

## **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, is in compliance with these regulations; and effectively mitigates risks to records which are stored in facilities not meeting these standards.

*Audits, investigations, and reviews performed in FY 2012:*

- Audit of the Management of Records at the Washington National Records Center

## **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.

*Audits, investigations, and reviews performed in FY 2012:*

- Audit of the Management of Records at the Washington National Records Center

## **7. Improving Project Management**

Effective project management, particularly for IT projects, is essential to obtaining the right equipment and systems to accomplish NARA's mission. Complex and high-dollar contracts require multiple program managers, often with varying types of expertise. NARA is challenged with planning projects, developing adequately defined requirements, analyzing and testing to support acquisition and deployment of the systems, and providing oversight to ensure effective or efficient results within costs. Currently, IT systems are not always developed in accordance with established NARA guidelines. These projects must be better managed and tracked to ensure cost, schedule, and performance goals are met.

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.

*Audits, investigations, and reviews performed in FY 2012:*

- Follow-up Review of OIG Audit Report No. 08-01: Audit of the Process of Safeguarding
- and Accounting for Presidential Library Artifacts
- OI Mgmt Letter - Security Incidents at AI
- Audit of NARA's Classified Systems
- Veterans' Record Issues (Management Letter)
- Investigation on Contract Guard Misconduct
- Investigation on Veteran Benefit Fraud
- Investigation on Missing Photographs, and U.S. Mint Documents
- Investigation on Clipped Signatures

## 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.

*Audits, investigations, and reviews performed in FY 2012:*

- Audit of NARA's Parking Program
- Management Letter on Contract Oversight
- Investigation on Contract Guard Misconduct

## **10. Management of Internal Controls**

The Office of Management and Budget (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. NARA's challenge is to ensure the agency is in compliance with the regulation; and to develop and fully implement an Internal Control program. GAO also reported NARA had not established an enterprise risk management capability reducing its ability to anticipate future challenges and avoid potential crises. Currently, the agency 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.

*Audits, investigations, and reviews performed in FY 2012:*

- Audit in process

## **FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT**



### **FY 2012 STATEMENT OF ASSURANCE**

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

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

This assessment is based on results of audits and evaluations conducted by the Government Accountability Office (GAO), NARA's Office of Inspector General (OIG), internal control evaluations, and other evaluations conducted in NARA's program and staff offices. It is also based on senior management's knowledge gained from the daily operations of NARA programs and systems. I have also considered the advice of the Inspector General concerning this statement of assurance.

The qualification in this assurance statement includes material weaknesses in holdings protection, artifact inventory controls in Presidential Libraries, information technology and systems security, and preservation of archival records. Efforts to fully resolve these material weaknesses are monitored by NARA's Management Controls Oversight Committee (MCOC), a senior oversight body, and results are reported directly to me.



David S. Ferriero  
Archivist of the United States

**FY 2012 REPORT ON INTERNAL CONTROLS**

**Background on FMFIA Requirements**

The objective of the Federal Managers’ Financial Integrity Act of 1982 (FMFIA) is to provide reasonable assurance that “(i) obligations and costs are in compliance with applicable law; (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.” NARA’s internal control objectives noted in the Archivist’s statement of assurance are consistent with FMFIA objectives.

Office of Management and Budget (OMB) Circular A-123, Management’s Responsibility for Internal Control, requires federal agencies report material weaknesses in the annual FMFIA report. This reporting is to include a summary of the corrective action plans, including a description of the material weakness, status of corrective actions, and timeline for resolution.

The following tables reflect the number of material weaknesses reported by NARA under Section 2 of FMFIA in recent years.

**SUMMARY OF FINANCIAL STATEMENT AUDIT**

Audit opinion	Unqualified
Restatement	No

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Overstatement of unfilled customer orders and available budgetary authority	1	0	1	0	0

**SUMMARY OF MANAGEMENT ASSURANCES  
 EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL  
 REPORTING**

**Statement of Assurance: Unqualified**

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Overstatement of unfilled customer orders and available budgetary authority	1	0	1	0	0



**EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS**

**Statement of Assurance: Qualified**

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Holdings Protection	1	0	0	0	1
Information Systems and Technology Security	1	0	0	0	1
Presidential Libraries Artifact Inventory Controls	1	0	0	0	1
Preservation of Archival Records	1	0	0	0	1
Traditional Records Processing	1	0	1	0	0
<i>Total Material Weaknesses</i>	5	0	1	0	4

**Holdings Protection**

Identified in FY 2001, it was agreed at that time actions would be taken in five broad areas: Policy and Procedures; Training; Security for Records Storage Areas; Internal Controls; and, Loss Prevention and Response. Since 2001 numerous actions have been taken and documented. A Holdings Protection Team, in coordination with the Safety and Security division, has made great strides in identifying and completing key actions in the areas of policy development; risk assessment; information and communications; outreach; and training. Most of the action items identified in the FY 2012 action plan have been accomplished or are well underway, including implementation of exit screening at the St. Louis Archives Way facility in September 2012. We have made enormous strides in improving holdings protection, and created a culture in which staff are more cognizant of security obligations. We are now a leader among cultural institutions, with much of our success attributable to the HPT and the Archival Recovery Team.

In the coming year we will focus on (1) establishing a risk-based approach to implementing exit screening at facilities outside of the DC Metro area to make the greatest use of existing resources, and (2) testing and monitoring controls put in place to assess the degree to which they are functioning as intended.

**Information Systems and Technology Security**

Since FY 2002, we have reported and resolved several weaknesses in NARA's information systems and technology security. In FY 2011, NARA reassessed all open recommendations, from all sources (OIG, GAO, NARA internally contracted studies), and concluded that a material weakness continues to exist. As a result of the review, the

Material Weakness was reframed as 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.

In FY 2012, the CIO and his staff made excellent strides in addressing the weakness through implementation of a process that risk ranks recommendations and development of metrics reflecting Information Services progress in adequately managing recommendations and the risks they pose. This risk-based approach will help to reasonably ensure limited IT resources are directed to those areas that present the greatest risks to NARA.

In FY 2013, we will test and monitor the controls put in place to assess the degree to which they are functioning as intended.

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

First reported in FY 2008, the primary weaknesses were identified as (1) the lack of accurate and complete initial artifact inventories at presidential libraries, (2) lack of sufficient audit capability within the collections management database used by all libraries, and (3) lack of sufficient re-inventorying guidance. While the libraries continue to improve controls associated with their ability to secure and account for artifacts, we will focus on closing action in two significant areas in FY 2013: (1) completing initial inventories and reconciliations at existing libraries and (2) implementing a new collections management database that addresses control weaknesses noted in our current database.

### **Archival Records Preservation**

In FY 2007, we identified a material weakness in archival records preservation. Every cultural institution faces an enormous need for additional preservation resources. NARA is no different—the volume of incoming archival records outpaces our ability to keep up with preservation needs. Preservation risks are further exacerbated by the volume of electronic records and challenges associated with a proliferation of record formats. We have effectively addressed preservation of the vast majority of our holdings by putting in place controls such as upgrading storage environments, compiling preservation needs data at the series level, establishing protocols for basic holdings maintenance work, and establishing protocols to protect records used in research rooms. While this work must continue and aids our efforts to stabilize the condition of our collection, we must turn our attention to those records in imminent need of preservation action—the smaller volume of holdings that are nearly unusable or could be lost if not treated within the next decade due to severe physical deterioration or risk of obsolescence.

We have effective programs for treating these endangered records in our conservation and special media labs and for digitizing records in all media. But, our capacity is overwhelmed by the volume of work needed. Therefore, we need renewed attention, new

approaches, and possibly more resources directed to identify and then treat the collection/series or the specific items within them that are in imminent danger.

In FY 2013 we will focus on improving a risk-based approach to identifying and treating the highest priority records and developing performance measures that more accurately capture our progress in doing so. We believe that a risk-based approach will aid us in our efforts to make the most effective and efficient use of resources.

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