



National Archives and Records Administration

FY 2014 AGENCY FINANCIAL REPORT



Making Access Happen

November 17, 2014

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION MISSION STATEMENT AND STRATEGIC GOALS

MISSION STATEMENT

We drive openness, cultivate public participation, and strengthen our nation's democracy through public access to high-value government records.

NARA's mission is to provide public access to Federal Government records in our custody and control. Public access to government records strengthens democracy by allowing Americans to claim their rights of citizenship, hold their government accountable, and understand their history so they can participate more effectively in their government.

STRATEGIC GOALS

Make Access Happen

Public access is NARA's core purpose and is the ultimate outcome of all of NARA programs and activities. NARA will reach beyond the traditional role of making records available for others to discover and will make access happen by providing flexible tools and accessible resources that promote public participation.

Connect with Customers

NARA will continuously improve customer service, cultivate public participation, and generate new understanding of the importance of records in a democracy. NARA will continuously engage with and learn from all customers: individuals, organizations, and other Federal agencies.

Maximize NARA's Value to the Nation

Public access to government information creates measurable economic value, which adds to the enduring cultural and historical value of NARA records. NARA will continue to be an effective steward of the government resources that it holds in trust and will constantly strive to be a responsive, 21st-century government agency.

Build our Future Through Our People

NARA will build a modern and engaged workforce, develop the next generation of leaders, and encourage employees to collaborate, innovate, and learn. NARA will provide a workplace that fosters trust, accepts risk, and rewards collaboration.

TABLE OF CONTENTS

Letter from the Archivist of the United States.....2

Section 1: Management’s Discussion and Analysis

This section provides an overview of NARA’s organizational structure, and highlights key accomplishments in agency program and financial performance.

NARA Organization.....5
Performance Highlights by Strategic Goal.....7
Financial Highlights11
Management Assurances.....17

Section 2: Financial Section

This section presents NARA’s audited financial statements, and accompanying footnotes, required supplementary information (unaudited), and the independent auditors’ reports.

Letter from the Chief Financial Officer.....20
Principal Financial Statements.....21
Notes to the Financial Statements.....26
Required Supplementary Information.....50
Independent Auditors’ Reports.....54

Section 3: Other Information

This section includes an assessment by NARA’s Inspector General of the agency’s management challenges and Management’s report on compliance with the Financial Manager’s Financial Integrity Act (FMFIA).

Inspector General’s Report on Major Management Challenges60
Federal Managers’ Financial Integrity Act Report.....68

The National Archives has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) for fiscal year 2014, in place of the Performance and Accountability Report. NARA will publish the FY 2014 APR with its FY 2016 Congressional Budget Justification and will post it on NARA’s web site at www.archives.gov/about/plans-reports/ in February 2015.

LETTER FROM THE ARCHIVIST OF THE UNITED STATES



I am pleased to present the FY 2014 Agency Financial Report (AFR) of the National Archives and Records Administration (NARA). Our AFR provides Congress and the American people with a clear, concise report on NARA's financial and performance results for FY 2014.

One of NARA's greatest accomplishments in FY 2014 was the publication of our new FY 2014–2018 Strategic Plan. Our plan establishes a bold, new vision that aligns NARA resources toward an overarching aspiration: Provide public access to Government records. "Public access" is our single unifying objective that drives increased coordination among NARA programs, stimulates better and more meaningful engagement with the public, and leads NARA to maximize the value of our limited resources.

Our new Strategic Plan and the accomplishments highlighted below demonstrate NARA's long-standing commitment to an open and transparent government. NARA delivers on the promise of an Open Government by ensuring that high-value Federal Government records are retained by the agencies who created them, transferred to our custody when appropriate, and made publicly available as quickly as possible once in our custody.

We take our responsibilities seriously and routinely review our business processes and internal control environment to detect, mitigate, and address control weaknesses and management challenges. Our Strategic Plan provides a roadmap to help us address our challenges, maximize our opportunities, and continue to transform NARA into a modern and effective platform for delivering a twenty-first century Government.

Key Accomplishments

- NARA's latest Open Government Plan, issued in FY 2014, identifies more than 160 public engagement projects on more than 15 social media platforms, as well as multiple initiatives and programs that support transparency across Government. Four of NARA's transparency programs were highlighted in the Open Government National Action Plan of the United States, which received recognition in the 2014 global awards competition hosted by the multi-national Open Government Partnership.
- In December 2013, the National Declassification Center (NDC) completed quality assurance reviews on over 351 million pages of historically valuable, classified records. Reaching this milestone is the result of several years of effort to improve our business processes and expedite the multiagency review of classified records. Because of the commitment of the NDC and our partner agencies, millions of pages of previously classified Federal Government records will be publicly available for the first time.

- The new David M. Rubenstein Gallery opened in FY 2014. The gallery is a permanent exhibition at the National Archives building in Washington, DC, which was made possible by a generous gift from philanthropist David M. Rubenstein. It hosts NARA's first exhibition about the evolution of the rights of women, immigrants, and African Americans. Museum exhibitions provide a unique opportunity to engage the public in America's democracy through traditional displays of essential historical documents, interactive multimedia tools, and public programs based on the exhibit.
- In September 2014, the Office of Management and Budget (OMB) and NARA jointly issued new guidance to assist Federal agencies in managing emails that are Federal records. This guidance provides timely support to agencies that are working to modernize their records management practices in accordance with the Managing Government Records Directive (OMB M-12-18), which requires that all email be managed electronically by FY 2016.
- In FY 2014, Founders Online celebrated its first anniversary and over 400,000 visitors. Founders Online is a joint project by NARA's National Historical Publications and Records Commission and the University of Virginia that provides free, on-line access to digitized papers of six of America's Founding Fathers: George Washington, Benjamin Franklin, Alexander Hamilton, John Adams, Thomas Jefferson, and James Madison.

Management Challenges and Opportunities

The NARA Inspector General has identified ten challenges, detailed in the "Other Information" section of this report, which present opportunities for improvements. Management is aware of these issues and is committed to working collaboratively with our Inspector General to either mitigate or resolve these risks.

The greatest challenge for NARA is the appropriate preservation of the billions of records that we hold in trust for the American people. These records come in a wide variety of media, including paper and photographs, as well as electronic, audio, and video records in hundreds of formats, many of which are now obsolete. NARA continues to face the challenge of the sheer volume of records that must be maintained in formats and conditions that allow them to be made accessible to the public today and in perpetuity. NARA is committed to developing the strategy and controls necessary to meet our preservation challenge; however, preserving textual archival records remained a material weakness for NARA at the end of FY 2014.

NARA faces additional challenges in the areas of storing archival records, processing them for public access, managing electronic records, and providing appropriate physical security for our holdings. As a result of a multi-year effort to improve physical controls, monitoring, and agency attitudes about the security of our holdings, NARA downgraded holdings protection from a "material weakness" to a "reportable condition" in FY 2014. NARA will continue to review controls over the security of our holdings and will institute new measures as needed. We take the safety and protection of persons and holdings within our facilities seriously and will remain vigilant in protecting them.

Based on the status and progress that NARA has made to address its challenges and risks in FY 2014, I am able to provide a qualified statement of assurance that—with the exception of a material weakness in the preservation of textual archival records—NARA's internal controls are meeting their intended objectives, as defined by OMB Circular A-123. This assessment is based on the results of internal controls testing by NARA offices, as well as audits and evaluations conducted by the Government Accountability Office, NARA's Office of Inspector General, and other audit entities. I have also considered the advice of key management officials and our Inspector General in preparing this statement of assurance.

Additional details on our remaining material weakness and associated action plan, as well as progress made during FY 2014, are provided in our Federal Managers' Financial Integrity Act (FMFIA) report located in the "Other Information" section.

Our FY 2014 accomplishments are the culmination of the commitment and dedicated efforts of NARA's employees, who take pride in our mission. We will strive to efficiently and effectively overcome our challenges, as we continue to fulfill our mission to ensure timely, effective, and meaningful public access to the records of the U.S. Government.



David S. Ferriero
Archivist of the United States

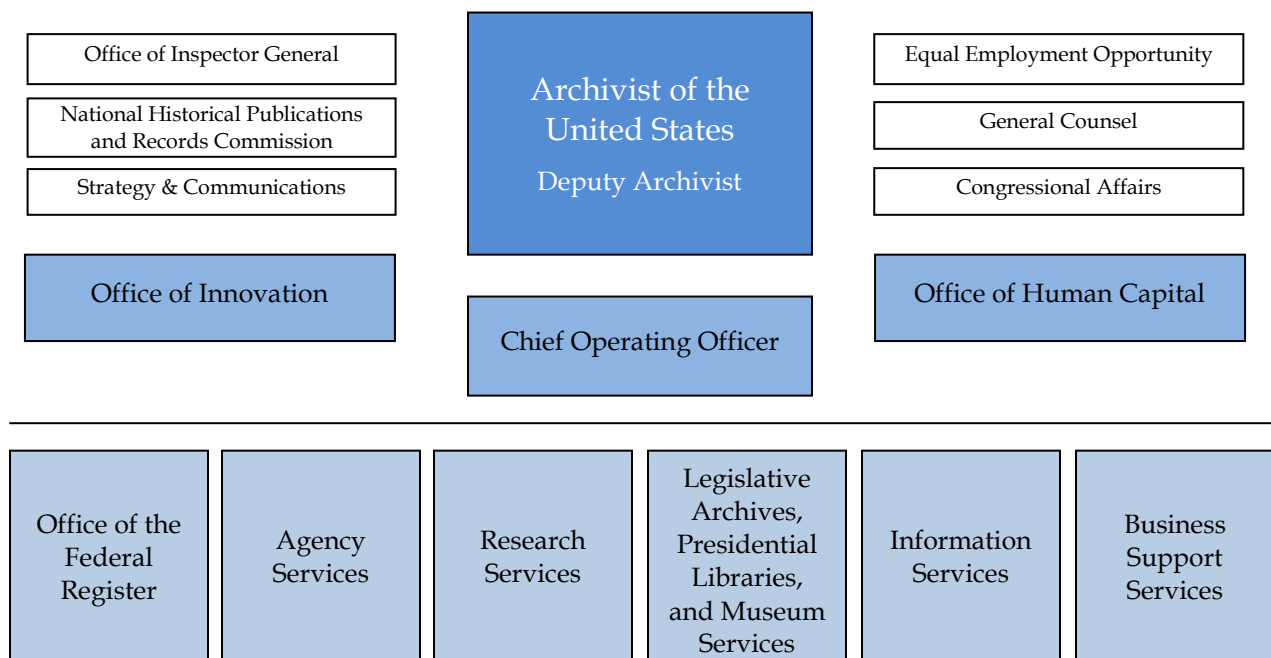
SECTION 1: MANAGEMENT’S DISCUSSION AND ANALYSIS

NARA Organization

The National Archives and Records Administration ensures continued public access to historically valuable Federal records through services provided to other Federal agencies and the public. NARA is organized around customer segments, which ensures that resources and management attention are focused on delivering coordinated and effective service to all stakeholders.

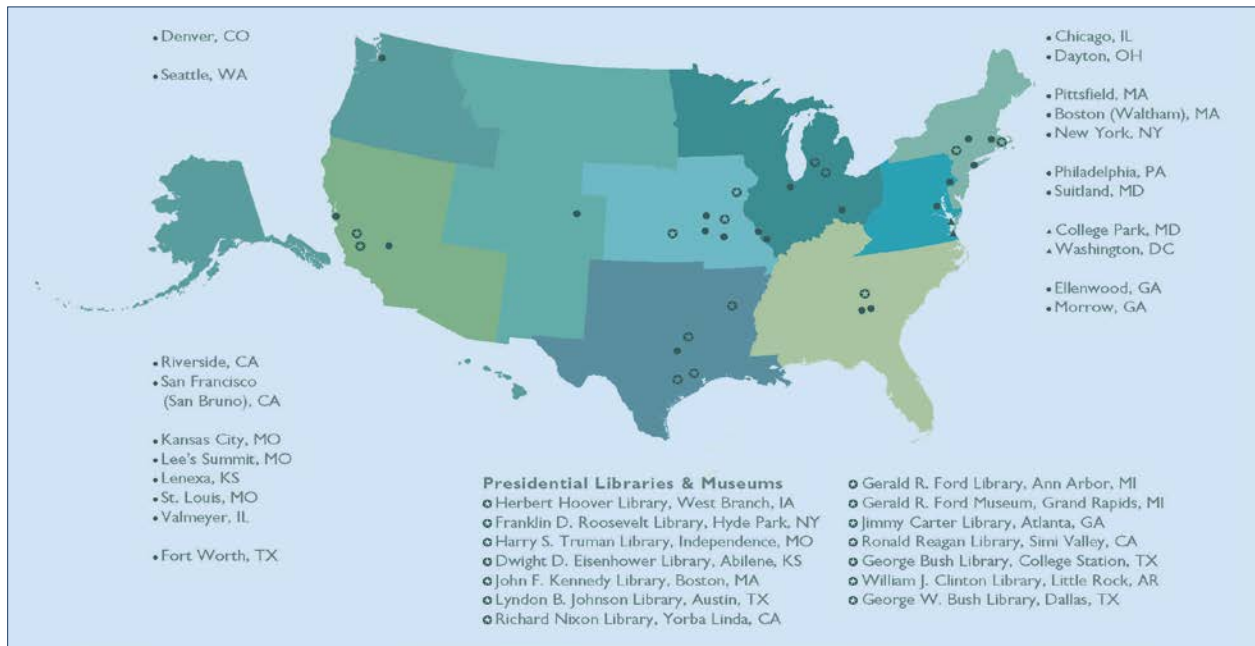
NARA’s core operations are organized into the Office of the Federal Register (OFR) and five “Services”: Agency Services, Research Services, Legislative Archives, Presidential Libraries, and Museum Services, Information Services, and Business Support Services. NARA Services and the OFR report to the Chief Operating Officer, who reports to the Archivist of the United States. The Office of Innovation, Office of Human Capital, and six staff offices, including the independent Office of Inspector General, report directly to the Archivist. The National Historical Publications and Records Commission (NHPRC) is an independent body that awards grants to non-Federal archives and institutions; the Archivist is the Chair of the NHPRC, and staff who support the Commission report to him.

National Archives and Records Administration



- *The Office of the Federal Register* fulfills the Archivist’s responsibilities to publish the daily Federal Register, the Code of Federal Regulations, and the Statutes-at-Large, and other statutory requirements.
- *Agency Services* leads NARA efforts to meet the records management needs of Federal agencies and represents the public’s interest in the transparency of those records.
- *Research Services* provides world-class service to researchers and citizens wanting to access the records of the National Archives and preserves archival holdings for the benefit of future generations.
- *Legislative Archives, Presidential Libraries, and Museum Services* focuses on the records needs of the White House and Congress, researchers who make use of Presidential and Congressional records, and museum visitors, educators, and students.
- *Information Services and Business Support Services* improve NARA’s efficiency and effectiveness by providing tools, services, facilities, and expertise that support agency operations.

NARA delivers its mission through a nationwide network of facilities, serving other Federal agencies and the public.



Performance Highlights by Strategic Goal

Make Access Happen

NARA met its processing goal in FY 2014, ending the year with 68 percent of its archival holdings processed. NARA processes archival records to identify statutory and other access restrictions, withhold restricted records, and make the remaining records available for public access. NARA processed over 284,000 cubic feet of records in FY 2014, accepted over 80,000 cubic feet of new, unprocessed archival records, and ended the year with 1.3 million cubic feet of unprocessed records. NARA will continue to focus management attention on the processing goal and is currently reviewing its business processes to identify opportunities to improve efficiency and expedite the release of archival records to the public.

NARA also met its FY 2014 description goal, increasing the percentage of traditional (non-electronic) archival records described in the on-line catalog to 86 percent. On-line archival descriptions provide researchers with information necessary to search NARA holdings remotely, discover relevant records, and quickly access records when they visit NARA public research rooms. NARA has demonstrated significant progress over FY 2013 performance and is on target to meet the agency's goal to describe 95 percent of its traditional archival holdings on-line by FY 2016.

Performance Goals	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Actual	Status
Increase the percentage of archival holdings processed	47	53	60	65	67	68	Met
Increase the percentage of traditional archival holdings described in an online catalog	70	71	77	80	85	86	Met

Connect with Customers

While NARA did not meet its timeliness goal for responding to requests for military service separation records in FY 2014, the actual performance was only slightly below the FY 2014 target. The National Personnel Records Center (NPRC) is a central repository for military and civilian personnel, medical, and related records. The NPRC stores approximately 60 million official military personnel records of veterans of all branches of service and receives approximately 2,000 requests for military separation

records each day. Most requests for separation records are from veterans who need to demonstrate honorable service in order to qualify for benefits. NARA strives to respond to 95 percent of these requests within 10 working days or less.

NARA also just missed its FY 2014 goal for customer satisfaction with the work of the NPRC in handling requests for military personnel and medical files. This measure is based on the results of a semi-annual survey, conducted in March and September of each year. NARA's FY 2014 actual performance is only one percent below the goal and is consistent with prior-year performance. NARA always strives for high levels of service, and will add new employees to NPRC customer service functions in FY 2015.

Our existing processes could not keep up with the increase in number and complexity of the Freedom of Information Act (FOIA) requests in FY 2014. NARA did not meet its goal for responding to FOIA requests within 20 days in FY 2014. Under FOIA (5 U.S.C. 552, as amended), any person may request and obtain access to Government information in Executive Branch agency records, subject to some restrictions. NARA responds to FOIA requests for its own operational records as well as requests for access to NARA's holdings of over 11 billion pages of archival records. FOIA requests received by NARA nearly doubled in FY 2014, growing from 12,000 requests in FY 2013 to almost 22,000 in FY 2014 and – within that amount – NARA experienced a 10 percent increase in complex requests (greater than 1,000 pages). NARA has since established a new “triage” process to quickly identify requests for records that are already publicly available and do not require screening; NARA has also established an internal working group to specifically focus on improving processes and technology associated with responding to FOIA requests.

Performance Goals	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Actual	Status
Sustain the percentage of separation requests answered within 10 working days	94	93	92	95	95	94	Not Met
Increase the percentage of customers satisfied with retrieving military records from NPRC	85	92	90	86	87	86	Not Met
Increase the percentage of FOIA requests for Federal records answered within 20 working days.	88	90	83	82	85	79	Not Met

Maximize NARA’s Value to the Nation

NARA met its FY 2014 goal of increasing the number of records management programs in other federal agencies that NARA categorized as “low risk”, based on their responses to the annual Records Management Self Assessment (RMSA). NARA requires Federal agencies to assess the effectiveness of their records management practices on an annual basis, through the RMSA tool. NARA validates agency responses – by requiring supporting documentation and through follow-up interviews – and assigns a risk category based on the validated responses. “Low risk” agencies have 90 percent or higher positive responses to assessments of their records management policies, practices, and performance. NARA attributes the steady increase in “low risk” agencies to enhancements to the records management policies and training that NARA provides to other agencies, improved coordination between NARA and agency records officers, and increased management attention resulting from the issuance of OMB Memorandum M-12-18, *Managing Government Records Directive*.

Performance Goals	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Actual	Status
Increase the percentage of agencies in the low risk category of the Records Management Self-Assessment	N/A	6	10	20	>20	29	Met

Build Our Future Through Our People

In FY 2014, NARA achieved its goal for employee empowerment, openness, and inclusion, as measured by employee responses in the annual Employee Viewpoint Survey (EVS). In FY 2014, 52 percent of employees responded “Agree” or “Strongly Agree” to EVS questions related to NARA programs, activities, and attitudes related to employee empowerment, openness, and inclusion. NARA aspires to be a more agile and innovative agency, which requires an organizational culture that allows all employees to participate and contribute to their full potential. In FY 2014, NARA improved its learning and development program and expanded on-line course offerings, to provide more opportunities for employees to strengthen their skills and gain new capabilities. NARA implemented a number of initiatives to improve staff communications. In FY 2015, NARA will continue to focus on employee empowerment and will expand efforts to share information with staff nationwide.

In addition, NARA met its FY 2014 diversity goal, measured by employee responses to EVS questions related to workplace diversity. In FY 2014, 56 percent of NARA

employees responded “Agree” or “Strongly Agree” to EVS questions about NARA diversity and inclusion programs, as well as Management’s commitment to a workforce representing all segments of society. In FY 2014, NARA established new employee affinity groups, giving employees of similar backgrounds an opportunity to interact, celebrate, and share their culture or characteristics with other employees, to promote greater diversity in the workforce.

Performance Goal	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Actual	Status
Improve NARA’s average score on EVS questions about empowerment, openness, and inclusion	55	54	51	51	>51	52	Met
Improve NARA’s average score on the EVS questions about workforce diversity.	57	56	55	55	>55	56	Met

Financial Highlights

NARA's financial statement auditor, CliftonLarsonAllen LLP, issued an unmodified ("clean") audit opinion on NARA's financial statements for the fiscal year ending September 30, 2014. The complete financial statements, footnotes, and auditors reports are presented in the Financial Section of this report.

NARA's financial statements consolidate the activity of the six Fund accounts under NARA's control. The activities of General Funds are financed by appropriations from Congress. The activities of the Records Centers Revolving Fund and the National Archives Trust and Gift Funds are financed by revenues collected from other Federal agencies and the public, respectively, and do not receive Congressional appropriations.

General Funds

NARA Operating Expenses appropriation, Archives and Records Management Activities provides for the costs of records activities, archives-related activities, and payments of principal and interest for the financing of the National Archives building at College Park, MD. Records activities include processing, describing, preserving, and making publicly available the historical records of the Federal Government, including Presidential records, and helping other Federal agencies to fulfill their records management responsibilities. Archives-related activities provide for the publication of the daily *Federal Register* and the *Code of Federal Regulations*, and satisfy other statutory requirements.

Repairs and Restoration appropriation provides for repairs and improvements to the 17 Federal buildings that NARA owns, operates, and maintains nationwide. This appropriation provides for renovations to NARA-owned buildings necessary to maintain health and safety standards for occupants, preserve archival records stored in NARA facilities, and protect the value of government real property assets.

National Historical Publications and Records Commission (NHPRC) Grants appropriation provides for grants to State and local government archives and private institutions to preserve and publish historical records that document American history.

Intragovernmental Revolving Fund

Records Centers Revolving Fund, Records Centers Storage and Services Activities provides for the storage and related services for temporary and pre-archival Federal government records at NARA Records Centers. Operations of NARA Records Centers are financed by user charges collected from other Federal agencies for storage and related services.

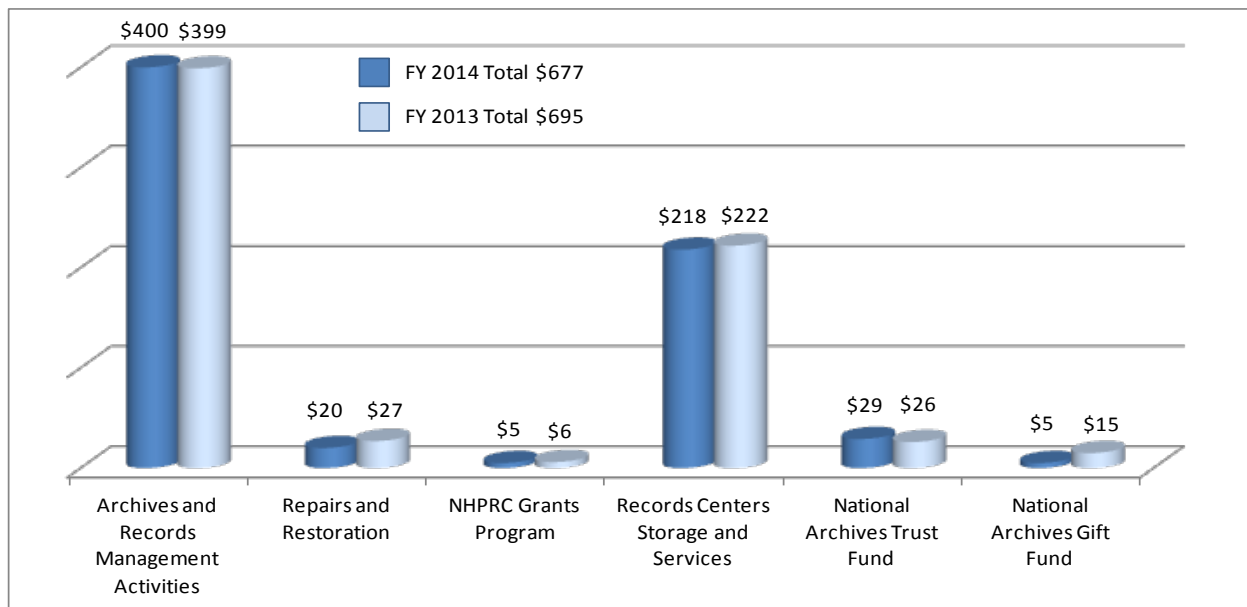
Trust Funds

National Archives Trust Fund provides for various services that support members of the public who visit NARA archival facilities and Presidential Libraries, including researchers, museum visitors, and attendees at NARA educational and public programs. The National Archives Trust Fund receives and disburses funds collected from sales to the public, including: reproductions of records, publications, merchandise, admissions to Presidential libraries, training events, and interest income (44 U.S.C. 2116). The Trust Fund also administers an outside investment program on behalf of the Presidential Library system.

National Archives Gift Fund provides the National Archives Trust Fund Board, chaired by the Archivist of the United States, with an efficient means to accept conditional and unconditional gifts and bequests for the benefit of, or in connection with, the archival and records activities administered by NARA (44 U.S.C. 2305). The National Archives Gift Fund receives endowments from private foundations; investment earnings from endowments support facility operations cost at the George H.W. Bush, William Clinton, and George W. Bush Libraries.

Consolidated Budgetary Resources

Total Budgetary Resources by Program
Dollars in Millions



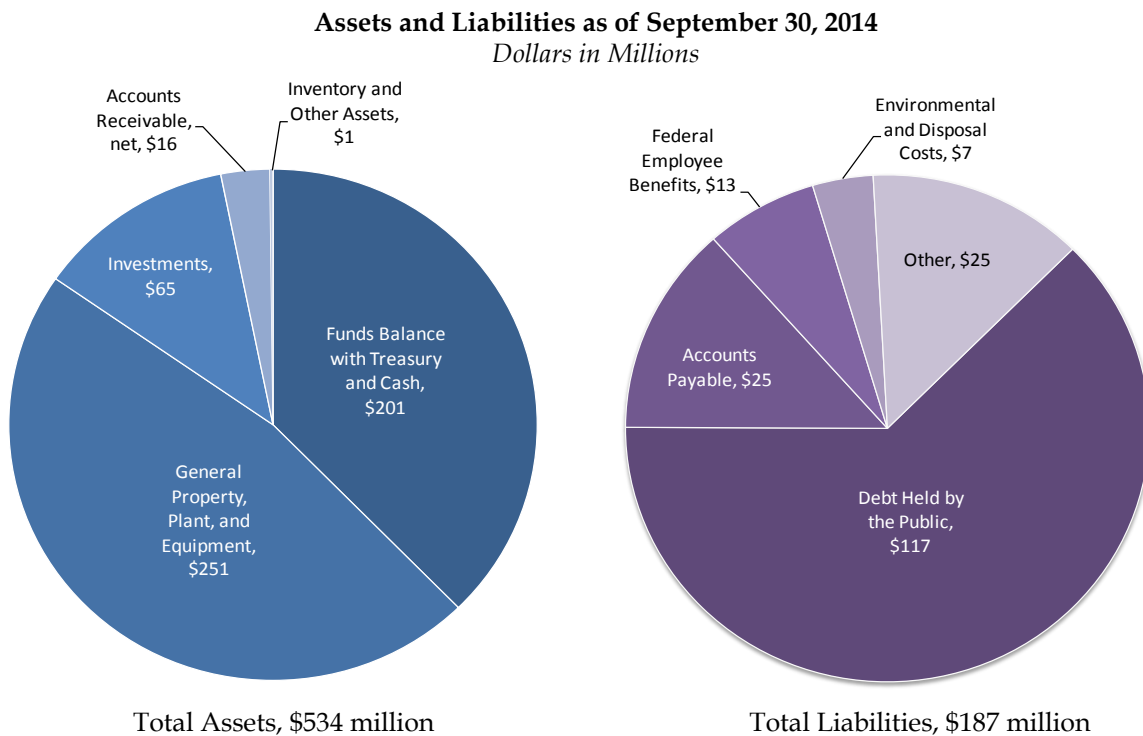
NARA received \$677 million in total budgetary resources in FY 2014, a decrease of \$18 million from FY 2013's total. Most of this decline is the effect of a one-time gift of \$10 million that was received in FY 2013, to establish an endowment for the newly-

opened George W. Bush Presidential Library. The remaining \$8 million is primarily the result of lower unobligated balances brought forward from prior years in NARA’s no-year appropriations for Repairs and Restoration and the NHPRC Grants Program. Both appropriations were reduced in FY 2013 due to sequestration and relied more heavily on unobligated balances to maintain operations; as a result, they each had fewer resources available to carry forward into FY 2014. Total net outlays (cash disbursements less cash receipts) declined by seven percent to \$351 million in FY 2014, due primarily to the reduced budget authority in both FY 2013 and FY 2014.

Approximately 60 percent (\$390 million) of NARA’s total budgetary resources came from current-year appropriations, and an additional 30 percent (\$195 million) were revenues earned from services provided to other Federal agencies and the public. The remaining amounts came from unobligated balances carried forward from prior years (\$80 million) and recoveries of prior year unpaid obligations (\$12 million). The Statement of Budgetary Resources, included in the Financial section of this report, provides additional information on how NARA receives its budgetary resources and their status at the end of the fiscal year.

Consolidated Financial Position

NARA’s Balance Sheet, included in the Financial section of this report, provides a snapshot of NARA’s financial position as of September 30, 2014.



Total Assets of \$534 million at the end of FY 2014 consist of cash (*Fund Balance with Treasury*), buildings owned by NARA, internal use software and equipment (*Property and equipment*), investments (Trust and Gift Funds'), and amounts owed to NARA by customers, mostly Federal agencies (*Accounts receivable*.)

NARA's FY 2014 total assets balance is 7 percent (\$40 million) lower than FY 2013's balance of \$574 million, primarily in the *Property and equipment* category. The *Property and equipment* balance was drawn down by annual depreciation expense (\$54 million), combined with lower capital expenditures in FY 2014. Lower capital expenditures resulted from reduced budget authority in FY 2013 and 2014, as well as completion of major facility improvements and construction projects in previous years.

Total Liabilities balance of \$187 million at the end of FY 2014, declined by 12 percent (\$25 million) from the previous fiscal year. NARA's annual repayment of \$18 million in principal on the *Debt held by the public* explains most of the decline. The *Debt held by the public*, which represents 63 percent of NARA's total liabilities, was incurred to finance the construction of the National Archives building in College Park, MD. The remaining \$7 million of the decline is due to a reduction in the amount owed by NARA to others (accounts payable), which is attributable entirely to decreases in NARA's budget authority in FY 2013 and FY 2014.

Eighty percent (\$148 million) of NARA's total liabilities are unfunded, i.e., budgetary resources are not yet available as of September 30, 2014. The major elements of unfunded liabilities are \$117 million for *Debt held by the public*, \$13 million for the actuarial portion of *Federal employee benefits*, \$7 million for *Environmental asbestos clean-up costs*, and \$11 million for unfunded annual leave balances of NARA employees. For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with OMB funding guidelines.

Consolidated Results of Operations

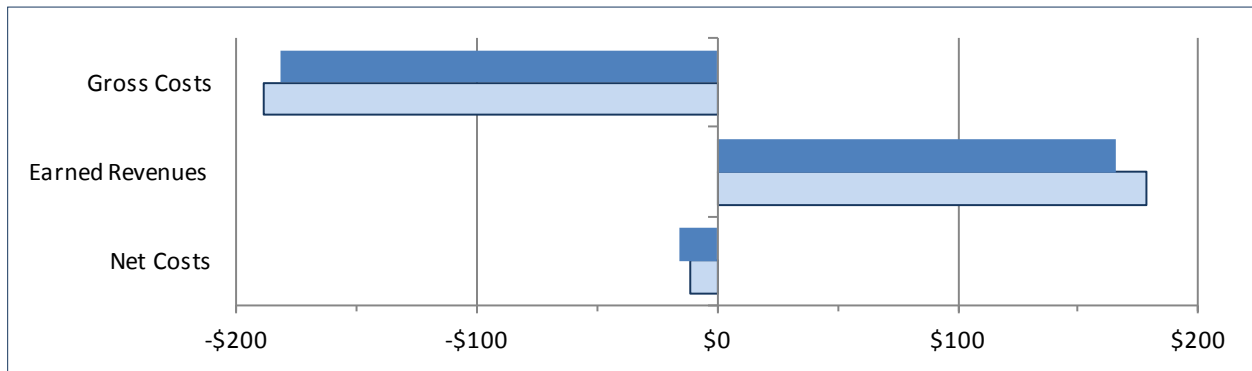
NARA's total net cost of operations was \$413 million for FY 2014. NARA's FY 2014 net cost of operations is 8 percent (\$38 million) less than the prior fiscal year, due largely to the completion of major facility improvements and consolidation projects in FY 2013, as well as reduced budget authority in FY 2013 and FY 2014. Net costs include total gross costs, minus all earned revenues attributed to and permitted to be offset against those costs. Expenses financed by Congressional appropriations represent about 67 percent (\$405 million) of NARA's FY 2014 total costs of operations; a more detailed analysis of NARA's net cost of non-appropriated operations is provided below.

Records Centers Revolving Fund, Results of Operations

In FY 2014, the Records Centers Revolving Fund incurred \$182 million in gross costs, and earned \$166 million in revenues, resulting in net costs of \$16 million. FY 2014 net costs increased by \$5 million over FY 2013 results: Revenues declined by \$12 million from FY 2013, primarily due to the completion of a long-term scanning project, which produced a corresponding decrease in gross costs of \$7 million.

Records Centers Revolving Fund, Results of Operations

Dollars in Millions



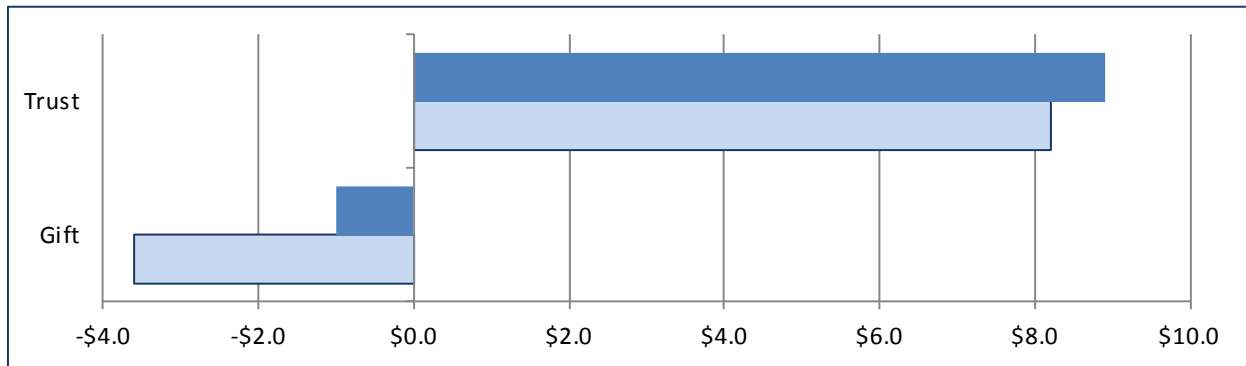
	Gross Costs	Earned Revenues	Net Costs
■ 2014	(\$182)	\$166	(\$16)
■ 2013	(\$189)	\$178	(\$11)

National Archives Trust and Gift Funds, Net Results of Operations

In FY 2014, the National Archives Trust Fund realized net revenues from operations of \$8.9 million, an increase of \$0.7 million over FY 2013 levels. FY 2014 net revenues increased due to increased attendance at the George W. Bush Presidential Library, which opened in May 2013.

Net operating costs of the National Archives Gift Fund declined by \$2.6 million in FY 2014, to \$1 million. The reduction in costs was due primarily to one-time costs incurred in FY 2013 for major renovations associated with the new David M. Rubenstein Gallery at the National Archives building in Washington, DC; these costs did not continue in FY 2014.

National Archives Trust and Gift Funds, Net Revenue/(Cost)
 Dollars in Millions



	Trust Fund	Gift Fund
■ 2014	\$8.9	(\$1.0)
■ 2013	\$8.2	(\$3.6)

The Statement of Net Cost, included in the Financial section of this report, presents NARA’s net costs of operations by major programs for fiscal years 2014 and 2013, after intra-agency eliminations.

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA)

FMFIA requires all agencies to establish sufficient controls to reasonably ensure that: (i) obligations and costs comply with applicable law; (ii) assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. FMFIA requires the Head of the Agency to provide an assurance statement to the President on the adequacy of internal controls over operational, program, and administrative areas, as well as accounting and financial management. NARA's FY 2014 FMFIA assurance statement is included in the Other Information section of this report.

Internal Controls Program

NARA's evaluation of its internal controls for the year ended September 30, 2014, provides reasonable assurance that – except for a material weakness associated with the preservation of textual archival records – the agency's internal controls achieved their intended objectives in FY 2014.

NARA Management first identified textual records preservation as a material weakness in FY 2007. Since then, NARA has put in place new controls to address preservation of the vast majority of our holdings, including: upgrading storage environments, compiling preservation data at the series level, establishing procedures for basic holdings maintenance work, and establishing protocols to protect records used in research rooms. NARA has implemented effective controls over preservation programs; however, the volume of textual records requiring preservation treatment continues to exceed NARA's capacity. NARA will continue to assess its preservation work processes and is currently considering new approaches to appropriately manage the large volume of textual archival records requiring preservation action. Additional details on this material weakness are provided in NARA's FMFIA assurance statement, included in the Other Accompanying Information section of this report.

NARA has made significant progress in addressing control weaknesses in holdings protection and accountability of artifacts in the Presidential Libraries. NARA substantially completed its corrective action plans in FY 2014 and, based on the recommendations of NARA's Management Controls Oversight Council, the Archivist downgraded holdings protection to a reportable condition and removed Library artifacts as a FMFIA weakness. NARA Management will continue to monitor controls over both programs through quarterly internal controls reporting and in accordance with OMB A-123 requirements.

NARA did not identify any new material weaknesses in FY 2014.

Federal Information Security Management Act (FISMA)

NARA complied with FISMA requirements to conduct an annual self-assessment of the agency's information technology security program, develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and report to OMB on NARA compliance. In addition, the Office of Inspector General performed an audit of NARA's FY 2014 FISMA report (OIG 14-16) which was issued on August 12, 2014.

Federal Financial Management Improvement Act (FFMIA)

NARA is an *Accountability for Tax Dollars Act (ATDA)* agency, and is not subject to the requirements of FFMIA, per OMB bulletin #14-02, *Audit Requirements for Federal Financial Statements*. NARA is not required to report separately on its compliance with FFMIA in its FFMIA reports.

Debt Management

NARA employee debts are managed by NARA's shared services providers for payroll, the Department of the Interior, Interior Business Center (IBC), and the Department of Treasury, Bureau of Fiscal Services (BFS). The IBC tracks employee debts and pursues delinquent debts from NARA employees through salary offsets. NARA actively pursues delinquent non-Federal claims, and upon request by NARA, BFS transmits delinquent claims to Debt Management Services (DMS) for collection cross-servicing, in compliance with the Debt Collection Improvement Act of 1996.

Improper Payments Management

As required by Improper Payments Information Act, as amended by the Improper Payments Elimination and Recovery Act (IPERA), NARA completed a full program inventory and identified no programs or activities that may be susceptible to significant improper payments based on statutory thresholds. NARA assessed all programs with more than \$1 million in annual outlays, using a comprehensive questionnaire and risk calculation tool provided by the Department of Treasury, to determine if payment recapture audits would be cost-effective, in compliance with Section 2(h) of IPERA. Given the low risk level for all NARA programs, NARA determined that payment recovery audits would not be cost-effective at this time.

Prompt Payment Act

The BFS processes payments for NARA in accordance with the Prompt Payment Act and submits quarterly prompt pay statistics on NARA's behalf.

Inspector General Act

NARA Management is committed to resolving and implementing open audit recommendations presented in OIG reports. NARA reports on final actions taken on all OIG audit recommendations, in accordance with section 5(b) of the Inspector General Act. This information is included in the OIG semi-annual report to Congress.

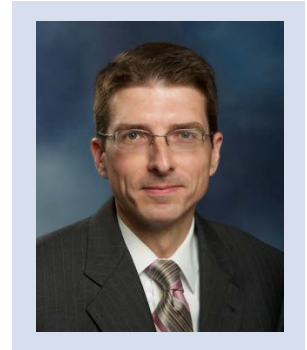
Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of NARA, pursuant to the requirements of 31 U.S.C. 3515 (b). NARA's financial statements have been prepared from NARA's books and records in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB); however, these statements are prepared in addition to the financial reports NARA uses to monitor and control budgetary resources, which are prepared from the same books and records. NARA's financial statements should be read with the realization that they are for a component of the U.S. Government, which is a sovereign entity.

SECTION 2: FINANCIAL SECTION

LETTER FROM THE CHIEF FINANCIAL OFFICER

This is the first year that the National Archives and Records Administration (NARA) has presented its financial results in a separate Agency Financial Report (AFR), in lieu of a combined Performance and Accountability Report. The AFR format allows NARA to present a more streamlined report that focuses on agency financial results, and more clearly articulates the relationship between financial performance and program results. The AFR format also allows NARA to present more detail on the performance of non-appropriated funds, a significant source of budgetary resources for the agency.



NARA has received an unmodified “clean” audit opinion on its FY 2014 financial statements. A clean audit opinion provides independent confirmation that NARA’s financial statements are presented fairly and in conformity with generally accepted accounting principles. Accurate and timely financial information improves NARA’s accountability to its stakeholders and demonstrates that NARA is an effective steward of the resources in its custody.

I am proud of the progress that NARA has made in improving financial management; however, some challenges remain. I appreciate the professionalism of our financial statement auditors, CliftonLarsonAllen LLP, and their efforts to identify opportunities for NARA to improve the effectiveness of our financial operations. In the coming year, we will look to implement their recommendations and further improve our internal controls over financial management activities and reporting.

I would like to take this opportunity to report on NARA progress against the goal of OMB Memorandum M-12-12, Section 3, “Freeze the Footprint”. As of September 30, 2014, NARA has reduced its total real property footprint by over 1.2 million square feet (10 percent) below our FY 2012 baseline. This figure includes space vacated in FY 2014, when NARA consolidated facilities in Anchorage, AK and Philadelphia, PA; these consolidations are expected to reduce NARA’s administrative costs by over \$1 million in FY 2015.

Although NARA, as ATDA agency, is not subject to the Federal Managers’ Financial Integrity Act, we strive to adhere to Federal financial management requirements, and I can provide reasonable assurance that the objectives of Section 2 have been achieved. I am confident that NARA’s continued commitment to improved internal controls will ensure the continued integrity and reliability of NARA financial reports.

A handwritten signature in black ink, appearing to read "Micah M. Cheatham". The signature is stylized and fluid, with a long horizontal stroke extending to the right.

Micah M. Cheatham
Chief Financial Officer

Principal Financial Statements

Consolidated Balance Sheet

As of September 30, 2014 and 2013
(in thousands)

	2014	2013
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 201,140	\$ 189,363
Investments (Note 3)	15,419	15,203
Accounts receivable (Note 4)	15,170	19,831
Total intragovernmental	231,729	224,397
Cash	65	68
Investments (Note 3)	49,654	43,145
Accounts receivable, net (Note 4)	581	423
Inventory, net (Note 5)	893	941
General property, plant and equipment, net (Note 6)	250,974	304,894
Deferred Assets	573	600
Total assets	\$ 534,469	\$ 574,468
Stewardship PP&E (Note 7)		
Liabilities		
Intragovernmental		
Accounts payable	\$ 1,785	\$ 3,417
Other (Note 10,11)	4,459	4,675
Total intragovernmental	6,244	8,092
Accounts payable	23,539	30,949
Debt held by the public (Note 8, 9)	116,865	134,947
Federal employee benefits-actuarial FECA (Note 8)	12,765	12,184
Environmental and disposal costs (Note 8,17)	6,694	6,214
Other (Note 10)	20,356	19,903
Total liabilities	\$ 186,463	\$ 212,289
Commitments and Contingencies (Note 12)		
Net Position		
Unexpended appropriations - other funds	134,847	126,048
Cumulative results of operations - Funds from Dedicated Collections (Note 13)	65,216	57,318
Cumulative results of operations - other funds	147,943	178,813
Total net position	\$ 348,006	\$ 362,179
Total liabilities and net position	\$ 534,469	\$ 574,468

The accompanying notes are an integral part of these statements

National Archives and Records Administration
 FY 2014 Agency Financial Report

Consolidated Statement of Net Cost

For the years ended September 30, 2014 and 2013

(in thousands)

	<u>2014</u>	<u>2013</u>
Program Costs (Note 14)		
Archives and Records Management Activities		
Gross costs	\$ 385,906	\$ 414,424
Less: Earned revenues	(91)	(68)
Total net archives and records management activities program costs	<u>385,815</u>	<u>414,356</u>
Trust and Gift Funds		
Gross costs (excluding heritage asset renovation)	13,996	13,540
Heritage asset renovation costs (Note 15)	487	3,171
Less: Earned revenues	(22,346)	(21,296)
Total net trust and gift fund costs	<u>(7,863)</u>	<u>(4,585)</u>
National historical publications and records commission grants		
Gross costs	6,148	7,911
Less: Earned revenues	-	-
Total net national historical publications and records commission grants program costs	<u>6,148</u>	<u>7,911</u>
Archives facilities and presidential libraries repairs and restoration		
Gross costs (excluding heritage asset renovation)	616	418
Heritage asset renovation costs (Note 15)	12,189	22,380
Less: Earned revenues	-	-
Total net archives facilities and presidential libraries repairs and restoration program costs	<u>12,805</u>	<u>22,798</u>
Revolving fund records center storage and services		
Gross costs	181,542	188,458
Less: Earned revenues	(165,492)	(177,870)
Total net revolving fund records center storage and services program costs	<u>16,050</u>	<u>10,588</u>
Net Cost of Operations	<u>\$ 412,955</u>	<u>\$ 451,068</u>

The accompanying notes are an integral part of these statements

Consolidated Statement of Changes in Net Position

For the year ended September 30, 2014
(in thousands)

	Funds from Dedicated Collections	All Other Funds	Consolidated Total
Cumulative Results of Operations			
Beginning Balance	\$ 57,318	\$ 178,813	\$ 236,131
Budgetary Financing Sources			
Appropriations Used	-	372,211	372,211
Non-exchange Revenue	665	-	665
Donations and forfeitures of cash and cash equivalents	1,160	-	1,160
Transfers-in/out without reimbursement	(633)	633	-
Other	-	-	-
Other Financing Sources (Non-Exchange)			
Transfers-in/out without reimbursement	(171)	(2,882)	(3,053)
Imputed financing	435	18,147	18,582
Other	418	-	418
Total Financing Sources	1,874	388,109	389,983
Net Cost of Operations	(6,024)	418,979	412,955
Net Changes	7,898	(30,870)	(22,972)
Cumulative Results of Operations	65,216	147,943	213,159
Unexpended Appropriations			
Beginning Balance	-	126,048	126,048
Budgetary Financing Sources			
Appropriations received	-	386,630	386,630
Other adjustments	-	(5,620)	(5,620)
Appropriations used	-	(372,211)	(372,211)
Total Budgetary Financing Sources	-	8,799	8,799
Total Unexpended Appropriations	-	134,847	134,847
Net Position	\$ 65,216	\$ 282,790	\$ 348,006

The elimination column is omitted as no elimination activity impacts this statement.

The accompanying notes are an integral part of these statements

National Archives and Records Administration
 FY 2014 Agency Financial Report

Consolidated Statement of Changes in Net Position

For the year ended September 30, 2013
(in thousands)

	Funds from Dedicated Collections	All Other Funds	Consolidated Total
Cumulative Results of Operations			
Beginning Balance	\$ 43,686	\$ 222,432	\$ 266,118
Budgetary Financing Sources			
Appropriations Used	-	392,147	392,147
Nonexchange Revenue	626	-	626
Donations and forfeitures of cash and cash equivalents	11,135	-	11,135
Transfers-in/out without reimbursement	(500)	500	-
Other	362	-	362
Other Financing Sources (Non-Exchange)			
Transfers-in/out without reimbursement	-	-	-
Imputed financing	430	17,618	18,048
Other	(1,237)	-	(1,237)
Total Financing Sources	10,816	410,265	421,081
Net Cost of Operations	(2,816)	453,884	451,068
Net Changes	13,632	(43,619)	(29,987)
Cumulative Results of Operations	57,318	178,813	236,131
Unexpended Appropriations			
Beginning Balance	-	157,977	157,977
Adjustments			
Changes in accounting principles (Note 17)	-	(6,214)	(6,214)
Beginning balance, as adjusted	-	151,763	151,763
Budgetary Financing Sources			
Appropriations received	-	391,500	391,500
Other adjustments	-	(25,068)	(25,068)
Appropriations used	-	(392,147)	(392,147)
Total Budgetary Financing Sources	-	(25,715)	(25,715)
Total Unexpended Appropriations	-	126,048	126,048
Net Position	\$ 57,318	\$ 304,861	\$ 362,179

The elimination column is omitted as no elimination activity impacts this statement.

The accompanying notes are an integral part of these statements

Combined Statement of Budgetary Resources

For the year ended September 30, 2014 and 2013
(in thousands)

	2014	2013
BUDGETARY RESOURCES:		
Unobligated balance brought forward, October 1	\$ 91,014	\$ 88,811
Adjustment to unobligated balance, brought forward, October 1 (Note 22)	(6,000)	(724)
Unobligated balance brought forward, October 1, as adjusted	85,014	88,087
Recoveries of prior year unpaid obligations	12,715	10,649
Other changes in unobligated balance	(5,621)	(4,590)
Unobligated balance from prior year budget authority, net	92,108	94,146
Appropriations (discretionary and mandatory)	389,272	383,845
Spending authority from offsetting collections (discretionary and mandatory)	195,856	217,012
Total budgetary resources	\$ 677,236	\$ 695,003
STATUS OF BUDGETARY RESOURCES:		
Obligations incurred (Note 18)	590,829	603,989
Unobligated balance, end of year:		
Apportioned	53,724	56,517
Exempt from apportionment	11,311	10,467
Unapportioned	21,372	24,030
Total unobligated balance, end of year	86,407	91,014
Total budgetary resources	\$ 677,236	\$ 695,003
CHANGE IN OBLIGATED BALANCE:		
Unpaid obligations, brought forward, October 1 (gross)	\$ 165,382	\$ 181,861
Obligations incurred	590,829	603,989
Outlays, (gross) (-)	(572,669)	(609,819)
Recoveries of prior year unpaid obligations (-)	(12,715)	(10,649)
Unpaid Obligations, end of year (gross)	170,827	165,382
Uncollected Payments:		
Uncollected customer payments from Federal sources, brought forward, October 1 (-)	(51,761)	(38,496)
Adjustment to uncollected payments, Federal sources, start of year (Note 22)	6,000	724
Change in uncollected customer payments from Federal sources (+ or -)	5,152	(13,989)
Uncollected customer payments from Federal sources, end of year (-)	(40,609)	(51,761)
Memorandum (non-add) Entries:		
Obligated balance start of year (net), (+ or -)	119,621	143,365
Obligated balance, end of year (net)	130,218	113,621
BUDGET AUTHORITY AND OUTLAYS, NET:		
Budget authority, gross (discretionary and mandatory)	\$ 585,128	\$ 600,857
Actual offsetting collections (discretionary and mandatory) (-)	(218,963)	(219,544)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	5,152	(13,989)
Anticipated offsetting collections (discretionary and mandatory) (+ or -)	-	-
Budget Authority, net (discretionary and mandatory)	\$ 371,317	\$ 367,324
Outlays, gross (discretionary and mandatory)	\$ 572,669	\$ 609,819
Actual offsetting collections (discretionary and mandatory) (-)	(218,963)	(219,544)
Outlays, net (discretionary and mandatory)	353,706	390,275
Distributed offsetting receipts	(2,730)	(12,838)
Agency Outlays, net (discretionary and mandatory)	\$ 350,976	\$ 377,437

The accompanying notes are an integral part of these statements

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

National Archives and Records Administration (NARA) is an independent agency administered by the Archivist of the United States. It comprises various Operating Administrations, each with its own management and organizational structure, which collectively provide services and access to the essential documentation. NARA's financial statements presented here include accounts of all funds under NARA's control, listed below and detailed in the Financial Summary of Management Discussion and Analysis.

General Funds

- Operating Expenses appropriation - Archives and Records Management Activities
- Repairs and Restoration
- National Historical Publications and Records Commission Grants

Intragovernmental Fund

- Revolving Fund, Records Center and Storage Services

Trust Funds

- National Archives Trust Fund
- National Archives Gift Fund

B. Basis of Accounting and Presentation

These statements have been prepared from the accounting records of NARA in conformity with accounting principles (GAAP) generally accepted in the United States as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. The American Institute of Certified Public Accountants (AICPA) recognizes FASAB standards as GAAP for Federal reporting entities. These statements are, therefore, different from the financial reports prepared by NARA, also subject to OMB directives, for the purposes of reporting and monitoring NARA's status of budgetary resources.

Transactions are recorded on both an accrual and budgetary basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and control over the use of Federal funds.

C. Funds with the U.S. Treasury and Cash

Funds with the U.S. Treasury primarily represent appropriated, revolving and trust funds. These funds may be used by NARA to finance expenditures. NARA's cash receipts and disbursements are processed by the U.S. Treasury.

Cash consists of petty cash imprest funds at Presidential Libraries and the National Archives regional and headquarters store locations, used to finance the cashiers' start-up cash.

D. Accounts Receivable

Accounts receivable primarily consists of amounts due to Revolving Fund for the services provided to Federal agencies. An allowance for doubtful accounts is not required since receivables from other Federal entities are considered fully collectable.

E. Investments in Securities

NARA holds both, Federal and Non-Federal investments.

Investments in Federal securities are made daily and are reported at cost. All Non-Federal investments with a third party capital management firm, The Vanguard Group, are classified as trading equity securities which have readily determinable fair values and are measured at fair value in the balance sheet. Unrealized holding gains and losses, as well as interest income earned are recognized in earnings on a monthly basis

NARA employs the services of The Vanguard Group to monitor and manage the endowments, received pursuant to Title 44 U.S.C. section 2112, for the George H. Bush Library, Clinton Library, and George W. Bush Library. The purpose of the endowment is to provide income to offset the operations and maintenance costs of the corresponding Presidential library. Each endowment is reflected as a separate investment account in a Collective Fund. NARA also exercises its authority under Title 44 U.S.C. section 2306, to move a portion of federally held investments for the Presidential Libraries to the Vanguard.

F. Inventories

The National Archives Trust Fund inventories, which consist of merchandise, held for sale, are stated at the lower of cost or market, with cost determined using the average cost method. An allowance for damaged and obsolete goods is based on historical analysis and an evaluation of inventory turnover from year to year. Expenses are recorded when the inventories are sold.

G. Property, Plant and Equipment

NARA's PP&E falls into two categories: general PP&E (See Note 6) and Stewardship PP&E (heritage assets) (See Note 7). General PP&E items are used to provide general

government goods and services. Heritage assets are defined as possessing significant educational, historic, cultural or natural characteristics, and are not included in the general PP&E.

Multi-use heritage assets are heritage assets that are used predominantly for general government operations. The costs of acquisition, significant betterment or reconstruction of multi-use heritage assets are capitalized as general PP&E and depreciated, and are included on the Balance Sheet as general PP&E.

H. Federal Employee Benefits

Employee Health and Life Insurance Benefits

All permanent NARA employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGlIP) and may continue to participate after retirement. Both of these programs require contributions from the employee based on the coverage options selected by the employee. NARA makes contributions for the required employer share through the Office of Personnel Management (OPM) to FEHBP and FEGlIP, which are recognized as operating expenses.

The OPM administers and reports the liabilities for the post-retirement portion of these benefits. These costs are financed by OPM and imputed to all Federal agencies, including NARA. Using the cost factors supplied by OPM, NARA recognizes an expense for the future cost of postretirement health benefits and life insurance for its employees as imputed cost on the Statement of Net Costs and imputed financing sources on the Statement of Changes in Net Position.

Employee Retirement Benefits

All permanent NARA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). NARA makes the required employer contributions to CSRS and FERS and matches certain employee contributions to the thrift savings component of FERS. All of these payments are recognized as operating expenses. The pension expense recognized in the financial statements equals the current service cost for NARA's employees for the accounting period less the amount contributed by the employees. OPM, the administrator of these plans, supplies NARA with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense over the amount contributed by NARA and its employees represents the amount being financed directly by OPM and is considered imputed financing to NARA; appearing as an imputed cost on the Statement of Net Cost and an imputed financing source on the Statement of Changes in Net Position.

Workers' Compensation Program

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from NARA for these paid claims.

Actuarial FECA liability represents the liability for expected future workers' compensation benefits, which includes the liability for death, disability, medical, and miscellaneous costs for approved cases. The actuarial liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period, wage inflation factors, medical inflation factors and other variables. These actuarially computed projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. NARA computes its actuarial FECA liability based on the model provided by DOL and presents it as a liability to the public on the Balance Sheet because neither the costs nor reimbursements have been recognized by DOL. See Note 8.

I. Accrued Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. At the end of each fiscal year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. For appropriated funds, current or prior year appropriations are not available to fund annual leave earned but not taken. This liability is not covered by budgetary resources, as detailed in Note 8. Funding occurs in the year the leave is taken and payment is made. For the trust and revolving funds the annual leave is fully funded when earned and is, therefore, included in the total liabilities covered by budgetary resources.

Sick leave and other types of non-vested leave are expensed as taken. See Notes 8 and 10.

J. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

K. Contingencies and Commitments

NARA generally recognizes an unfunded liability for those legal actions where unfavorable decisions are considered “probable” and an estimate for the liability can be made. Contingent liabilities that are considered “reasonably possible” are disclosed in the notes to the financial statements. Liabilities that are deemed “remote” are not recognized or disclosed in the financial statements.

L. Allocation of Program Management Cost

NARA is comprised of various operating administrations, each having its own management and organizational structure. NARA allocates its general management and administrative support to its major components, *Archives and Records Management activities* and *Revolving fund*. General management costs are not allocated to the Trust and Gift Funds, since they are administered by the National Archives Trust Fund Board, which is an organization independent of, and not funded by, NARA. All other programs appearing on the Statement of Net Cost, such as *Archives facilities and presidential libraries repairs and restoration* and *National Historic Publications and Records Commission Grants* are, in essence, a part of the *Archives and Records Management Activities* appropriation, which funds the related administrative costs. These sub-programs are shown separately for the purpose of demonstrating accountability and custodial responsibility for the funds received for these programs.

M. Funds from Dedicated Collections

NARA is subject to the Statement of Federal Financial Accounting Standards (SFFAS) Number 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, which requires separate identification of the earmarked funds on the Balance Sheet, Statement of Changes in Net Position, and further disclosures in a footnote (see Note 13). Earmarked funds are defined when the following three criteria are met: (1) a statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits, or purposes; (2) explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and (3) a requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government’s general revenues.

N. Subsequent Events

We have evaluated subsequent events and transactions occurring after September 30, 2014 through the date of the auditors' opinion for potential recognition or disclosure in

the financial statements. This is also the date that the financial statements were available to be issued.

Note 2 - Fund Balance with Treasury

Fund balances <i>(in thousands)</i>	2014	2013
Appropriated funds	\$ 168,367	\$ 165,732
Revolving fund	31,734	22,914
Trust fund	621	-
Gift fund	256	100
Other funds	162	617
Total	\$ 201,140	\$ 189,363

Status of Fund Balance with Treasury

Unobligated Balance		
Available	\$ 49,388	\$ 51,095
Unavailable	21,372	24,030
Obligated Balance not yet disbursed	130,218	113,621
Other funds	162	617
Total	\$ 201,140	\$ 189,363

Unavailable unobligated balance includes the following

Allotments - Expired Authority	\$ 20,897	\$ 17,678
Unapportioned Authority	475	6,352
Total	\$ 21,372	\$ 24,030

Conditional donations, included in the available unobligated and obligated balance above, are obligated in accordance with the terms of the donor. All donations to Presidential Libraries and the National Archives with specific requirements are considered conditional, as to purpose. The endowments for the Presidential Libraries are conditional and have been obligated and invested in non-federal investments. The conditional balance as of September 30, 2014 is \$23,361 thousand (of which \$882 thousand is unobligated) and \$23,180 thousand as of September 30, 2013 (of which \$582 thousand is unobligated).

Other Funds represent non-entity FBWT assets consisting of revenue collected and due to the Reagan, Clinton, and George W. Bush foundations, subject to revenue sharing agreements with the Trust Fund.

The unused fund balance of \$5,621 thousand in canceled FY 2009 appropriation was returned to Treasury at the end of the fiscal year.

National Archives and Records Administration
 FY 2014 Agency Financial Report

Note 3 – Investments

Investments as of September 30, 2014 and 2013 consist of the following:

(in thousands)

	Amounts for 2014				Fair Market
	Cost	Interest Receivable	Investments, Net	Adjustments to fair value	value disclosure
Intragovernmental Securities					
Non-Marketable	\$ 15,419	-	\$ 15,419	-	\$ 15,419
Total Intragovernmental	15,419		15,419	-	15,419
Other securities					
Vanguard Total International Bond Index	363	-	363	12	375
Short term Investment Grade	15,282	-	15,282	91	15,373
Vanguard Dividend Growth Fund	2,487	21	2,508	1,011	3,519
Vanguard Small Cap Index Fund	2,873	50	2,923	1,047	3,970
Vanguard Intermediate Term Investment Grade	11,385	-	11,385	(125)	11,260
Emerging Markets Stock Index Fund	1,995	8	2,003	(10)	1,993
Vanguard Developed Markets Index Fund	2,125	54	2,179	32	2,211
Vanguard Total Bond Market Index Fund	4,049	-	4,049	240	4,289
Vanguard Total Stock Market Index Fund	3,300	7	3,307	1,324	4,631
Vanguard PRIMECAP Core Fund	1,158	14	1,172	861	2,033
Total Other	45,017	154	45,171	4,483	49,654
Total Investments	\$ 60,436	\$ 154	\$ 60,590	\$ 4,483	\$ 65,073

National Archives and Records Administration
FY 2014 Agency Financial Report

Amounts for 2013					
	Cost	Interest Receivable	Investments, Net	Adjustments to fair value	Fair Market value disclosure
Intragovernmental Securities					
Non-Marketable	\$ 15,203	-	\$ 15,203	-	\$ 15,203
Total Intragovernmental	15,203	-	15,203	-	15,203
Other securities					
Short term Investment Grade	13,299	-	13,299	1,353	14,652
Vanguard Dividend Growth Fund	1,876	16	1,892	520	2,412
Vanguard Small Cap Index Fund	3,333	122	3,455	(374)	3,081
Vanguard Intermediate Term Investment Grade Emerging Markets Stock Index Fund	12,671	-	12,671	(1,533)	11,138
Vanguard Developed Markets Index Fund	3,241	13	3,254	(1,644)	1,610
Vanguard Total Bond Market Index Fund	1,736	43	1,779	(71)	1,708
Vanguard Total Stock Market Index Fund	2,571	-	2,571	1,168	3,739
Vanguard PRIMECAP Core Fund	1,177	5	1,182	1,957	3,139
	195	19	214	1,452	1,666
Total Other	40,099	218	40,317	2,828	43,145
Total Investments	\$ 55,302	\$ 218	\$ 55,520	\$ 2,828	\$ 58,348

Other securities represent investments in fixed-income and short-term investment funds.

Intragovernmental Investments in Treasury Securities-Investments for Funds from Dedicated Collections

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Gift and Trust funds as evidence of its receipts. Treasury securities are an asset to the Gift and Trust funds and a liability to the U.S. Treasury. Since the Gift and Trust funds and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government financial statements.

Treasury securities provide the Gift and Trust funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Gift and Trust funds require redemption of these securities to make expenditures, the Government finances those expenditures in the same way as all other expenditures: out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures.

Note 4 – Accounts Receivable, Net

Accounts receivable, detailed in Note 1d, consist of the following:

<i>(in thousands)</i>	2014		2013	
	Intra-governmental	With the public	Intra-governmental	With the public
Accounts receivable, net	\$ 15,170	\$ 581	\$ 19,831	\$ 423

Note 5 – Inventory, Net

Inventories consist of merchandise held available for current sale at gift shops in the Presidential Libraries and the National Archives buildings.

<i>(in thousands)</i>	2014	2013
Inventory held for sale	\$ 1,092	\$ 1,189
Allowance for damaged and obsolete goods	(199)	(248)
Net realizable value	\$ 893	\$ 941

Note 6 - General Property, Plant and Equipment, Net

The following components comprise Property, Plant and Equipment as of September 30, 2014 and 2013.

<i>(in thousands):</i>	2014			2013	
Asset category	Estimated useful life in years	Acquisition cost	Accumulated depreciation/amortization	Net book value	Net book value
Land	N/A	\$ 6,159	-	\$ 6,159	\$ 6,159
Buildings and structures	30	397,943	(262,738)	135,205	147,182
Construction in progress	N/A	6,554	-	6,554	8,112
Equipment & Shelving	3 to 20	140,591	(118,734)	21,857	31,460
Leasehold Improvements	Various	35,656	(16,921)	18,735	21,084
Assets under capital lease	20	5,284	(4,830)	454	718
Internal-use software	5	339,036	(284,258)	54,778	78,518
Software in development	N/A	7,232	-	7,232	11,661
Total property, plant and equipment		\$ 938,455	(\$ 687,481)	\$ 250,974	\$ 304,894

NARA capitalizes property items with a unit cost equal to or exceeding \$50 thousand, and construction and internal-use software development projects with the total development cost of \$250 thousand or greater, and a useful life exceeding two years. Property items not meeting the capitalization criteria are expensed. Depreciation expense is calculated using the straight-line method over the useful life.

Land and Buildings and structures included above represent multi-use heritage assets. Assets deemed purely heritage assets are not included on the Balance Sheet. See Note 7 for further detail.

Internal-use software includes commercial off-the-shelf (COTS) software and internally-developed software.

Note 7 - Stewardship PP&E

NARA is a custodian to multiple assets classified as heritage, including the National Archives Building in Washington, DC, all Presidential Libraries, as well as traditional and electronic holdings, and a variety of artifacts. These heritage assets are integral to the mission of the National Archives and Records Administration to safeguard, preserve, and ensure continued access to the records of our Government.

Heritage assets, with the exception of those designated as multi-use, are not included on the Balance Sheet, as no financial value is, nor can be placed on them. The costs of repairs and renovations to the heritage asset buildings are presented separately on the Statement of Net Cost as “Heritage asset renovation costs,” and are detailed in Note 15.

The major categories of heritage assets for NARA are buildings, land, and NARA’s archival holdings and artifacts. NARA reports archival holdings by collection (e.g. Presidential, regional) and type of holdings (e.g. traditional, electronic), to more closely align with NARA’s processes to maintain and preserve archival holdings.

	Buildings	Multi-Use Land	Traditional Holdings Collections	Electronic Holdings Collections	Artifacts Collections
National Archives Building	1	-	1	1	1
National Archives Building at College Park	1 (multi-use)	-	1	1	1
NARA regional archives	1 (multi-use)	2	12	-	-
Affiliated archives	-	-	7	1	-
Presidential Libraries	13	-	13	4	13
TOTAL	16	2	34	7	15

Buildings

Our most iconic asset, the National Archives Building, permanently displays the Declaration of Independence, the Constitution, and the Bill of Rights, collectively known as the Charters of Freedom. National Archives Building also houses textual and microfilm records relating to genealogy, American Indians, pre-World War II military and naval-maritime matters, the New Deal, the District of Columbia, the Federal courts, Congress, and the Vice Presidents Gore and Cheney.

To provide appropriate storage and preservation needs for the growing number of records, NARA was authorized to construct the National Archives in College Park, Maryland. National Archives at College Park collections include electronic records, cartographic and architectural holdings, special media (motion pictures, audio recordings, and videotapes), artifacts, the John F. Kennedy Assassination Records Collection, still pictures, and textual records from most civilian agencies and military records dating from World War II. Because the building also serves as NARA's administrative headquarters, the facility was deemed to be a multi-use heritage asset, and is included in general PP&E on the Balance Sheet (Note 6.)

NARA's regional archives facilities are leased, with the exception of Southeast Regional Facility (SER) in Atlanta, GA, which was constructed on land purchased by NARA. Along with National Archives at College Park, the building and the land are designated as multi-use heritage assets and are included in general PP&E on the Balance Sheet (Note 6.)

Our regional archives contain collections of archival holdings of value for genealogical and historical research, such as Federal census information, naturalization records and passenger lists, as well as closed business and personal bankruptcy case files, civil and criminal case files from Federal courts. The traditional military service records for the 20th century and personnel records of former federal civilian employees from mid-1800s through 1951 are managed at the National Personnel Records Center in St. Louis, Missouri. During FY 2014, the Anchorage regional archives facility was closed and the archival and records center holdings were moved to the facility in Seattle, Washington.

The affiliated archives store some holdings of the National Archives. Currently eight institutions store NARA's accessioned holdings.

The thirteen Presidential Libraries are designated as heritage assets. Each consists of buildings, structures, and land under NARA's management used to store, preserve, and display the collections of traditional archival holdings and artifacts from the respective Presidential administration.

Multi-Use Land

NARA owns two parcels of land, designated as multi-use: one serving as a site for South East Region archives facility in Atlanta, GA and the other in Alaska, originally intended for a new regional archival facility.

Traditional Archival holdings consist of the following record types:

- Traditional Textual (paper) are records on paper whose intellectual content is primarily textual.
- Traditional Non-textual (all media) category includes all records not classified as textual (paper), artifacts, or electronic records. It includes still pictures on paper and film; posters; architectural drawings, charts, maps and other cartographic records on paper; textual records on microfilm; as well as motion pictures, video, sound recordings, and other clearly non-textual records.

Electronic Archival records are records on electronic storage media, such as word processing documents, spreadsheets, emails (with attachments), databases, satellite imagery, and digital photographs, etc from agencies in the executive, legislative and judicial branches. The three Presidential electronic holding collections, from the Ronald Reagan, George Bush and William J. Clinton libraries, are maintained in College Park, Maryland. The Presidential unclassified electronic materials from the George W. Bush administration have been ingested to our Executive Office of the President (EOP) instance of the Electronic Records Archives system. Also ingested were the electronic records of Vice Presidents Gore and Cheney, which are under the direction of the Presidential Materials Staff at the National Archives building.

Artifacts

In addition to already discussed artifacts at the National Archives and National Archives at College Park, each of the Presidential library's museums is a repository to a collection of artifacts, preserved and exhibited to promote public understanding of the history of the period, the respective Presidential administration, and the career of the President. The artifact collections include gifts from foreign heads of state, luminaries and common citizens with artifacts ranging from high value items, including firearms, jewelry, and works of art, coins and currency to tee shirts, trinkets and curiosities.

There were no additions to NARA's heritage asset collections during FY 2014. No collection is ever retired or disposed. NARA's collections only grow with the accessioning of new records or transfer of Presidential materials. For the accession to take place, the Archivist determines, through the formal scheduling and appraisal process, whether records have sufficient administrative, legal, research or other value to warrant their continued preservation by the Government and for how long (44 USC

3303a). When in the public interest, the Archivist may accept Government records for historical preservation (44 USC 2107) and accept non-Government papers and other historical materials for deposit (44 USC 2111). The archivist also administers Presidential and Vice Presidential records in accordance with 44 U.S.C. Chapter 22. Methods of acquisition and disposal are according to the guidelines established through the legal authority granted to NARA. NARA's Annual Performance Report will provide performance details on progress processing records and preservation efforts.

Providing physically and environmentally appropriate storage conditions at NARA's facilities is the most essential and cost-effective way to preserve records. Information about the condition and deferred maintenance on NARA owned buildings and holdings is contained in the Deferred Maintenance section of the Required Supplementary Information.

Note 8 - Liabilities not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities that are not funded by direct budgetary authority in the current fiscal year and result from the receipt of goods and services, or the occurrence of eligible events, for which appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through Congressional appropriation. Liabilities not covered by budgetary resources as of September 30, 2014 and 2013, consist of the following:

(in thousands)

	<u>2014</u>	<u>2013</u>
Intragovernmental		
Other - Workers' compensation	\$ 670	\$ 741
Total Intragovernmental	670	741
Debt held by the public	116,865	134,947
Other - Accrued unfunded leave	10,555	10,823
Environmental cleanup cost-Asbestos	6,694	6,214
Federal employee benefits-actuarial FECA liability	12,765	12,184
Total liabilities not covered by budgetary resources	147,549	164,909
Total liabilities covered by budgetary resources	38,914	47,380
Total liabilities	\$ 186,463	\$ 212,289

Note 9 - Debt Held by the Public

Public Law 100-440 authorized NARA to “enter into a contract for construction and related services for a new National Archives facility [. . .] The contract shall provide, by lease or installment payments payable out of annual appropriations over a period not to exceed thirty years.”

In 1989, NARA entered into an installment sale and trust agreement with the trustee, United States Trust Company of New York. Under terms of this agreement, the trustee obtained financing for the construction of the National Archives at College Park through the sale of certificates representing proportionate shares of ownership. NARA is paying off the debt in semiannual installments.

Although the full amount financed of \$301,702 thousand was included (scored) for U.S. budget estimation purposes in fiscal year 1989, NARA requires a congressional appropriation to pay the redemption of debt (principal) and interest costs of \$28,971 thousand, annually. The 25-year semiannual payments of \$14,486 thousand began in 1994 and will be completed in 2019.

<i>(in thousands)</i>	2014	2013
Beginning balance - Principal	\$ 133,998	\$ 150,519
Less : Debt repayment	17,955	16,521
Ending balance - Principal	116,043	133,998
Accrued interest payable	822	949
Total Debt at September 30	\$ 116,865	\$ 134,947

Note 10 - Other Liabilities

Other Liabilities as of September 30, 2014 and 2013 consist of the following:

<i>(in thousands)</i>	2014		
	Non-Current	Current	Total
Intragovernmental			
Workers' and unemployment comp	\$ 1,490	\$ 1,122	\$ 2,612
Capital lease liability	-	12	12
Accrued payroll	-	1,478	1,478
Miscellaneous liabilities	-	4	4
Advances from others	-	353	353
Total Intragovernmental	1,490	2,969	4,459
Accrued funded payroll and leave	-	9,753	9,753
Unfunded leave	10,555	-	10,555
Miscellaneous liabilities	-	37	37
Advances from others	-	11	11
Total other liabilities	\$ 12,045	\$ 12,771	\$ 24,815

National Archives and Records Administration
 FY 2014 Agency Financial Report

	2013		
	Non-Current	Current	Total
Intragovernmental			
Workers' and unemployment com	\$ 1,442	\$ 918	\$ 2,360
Capital lease liability	12	139	151
Accrued payroll	-	1,419	1,419
Miscellaneous liabilities	-	3	3
Advances from others	-	742	742
Total Intragovernmental	1,454	3,221	4,675
Accrued funded payroll and leave	-	8,891	8,891
Unfunded leave	10,823	-	10,823
Miscellaneous liabilities	-	136	136
Advances from others	-	53	53
Total other liabilities	\$ 12,277	\$ 12,301	\$ 24,578

Note 11 - Leases

NARA leases office space, vehicles, copiers, and equipment under annual operating leases. These leases are cancelable or renewable on an annual basis at the option of NARA.

NARA's Revolving Fund conducts the major part of its operation from leased facilities, where most agreements are cancelable operating leases. These leases may be cancelled with four months notice, or, in the case of the Atlanta lease, may be terminated for convenience by NARA, under the provisions of the Federal Acquisitions Regulations.

Only one lease is classified as a capital lease, representing liability for shelving leased through GSA at the Philadelphia records facility. It expires in December 2014. The net capital lease liability is covered by budgetary resources, and shown in Intragovernmental Liabilities, Other (See Note 10).

The schedule below shows the future minimum payments under the capital lease with the present value of the future minimum lease payments (*in thousands*):

Capital Leases - NARA as lessee	2014	2013
Summary of assets under capital lease:		
Shelving	\$ 5,284	\$ 5,284
Accumulated amortization	(4,830)	(4,566)
Description of Lease Arrangements		
Future payments due		
<u>Fiscal year</u>		
2015	12	
2016	-	
After 2018	-	
Total future lease payments	12	
Less: imputed interest	-	
Net capital lease liability	\$ 12	

NARA also has the following non-cancelable operating leases with GSA, which include no renewal options:

Records facility	Lease Period
Pittsfield, Massachusetts	January 5, 1994 through January 31, 2020
Dayton (Kingsridge), Ohio	September 1, 2004 through January 31, 2023
Lenexa, Kansas	February 1, 2003 through February 14, 2023
Pershing Rd, Kansas City, MO	January 1, 2009 through December 31, 2028
Ft. Worth-Montgomery, Texas	February 12, 2011 through February 10, 2016
Archives Dr./Dunns Rd. St. Louis, Missouri	April 30, 2011 through April 30, 2031
Denver (Broomfield), Colorado	August 1, 2011 through May 20, 2032
Underground Dr, Kansas City	September 19, 2012 through December 2, 2032
Underground Dr, Kansas City -Archival	December 15, 2014 through December 2, 2032
Townsend Rd, Philadelphia, PA	December 1, 2012 through November 30, 2032
Boyers, PA	January 1, 2013 through December 1, 2018

Other non-cancelable operating leases with public corporations are detailed below:

Records facility	Lease Period
Perris, CA	December 1, 2004 through November 30, 2024
Atlanta, GA	October 1, 2004 through June 30, 2024
Ft. Worth, Texas	October 1, 2006 through September 30, 2026
The Annex I and II in Valmeyer, Illinois	October 1, 2008 through September 30, 2028

All GSA and public corporation leases include escalation clauses for operating costs tied to inflationary increases and for real estate taxes tied to tax increases. The minimum future lease payments detailed below reflect estimated escalations for such increases. These amounts will be adjusted to the actual costs incurred by the lessor.

In addition, NARA has a non-cancelable operating lease with Potomac Electric Power Company for a parcel of land used for a parking lot at our building in College Park. The lease is for 20 years, from May 2003 through April 2023, and contains a set schedule of payments due. The schedule below shows the total future non-cancelable lease payments by asset class:

(in thousands):

Operating Leases - NARA as lessee		
Future payments due: Fiscal year	Asset Category	
	Land	Buildings
2015	\$ 146	\$ 33,669
2016	149	33,723
2017	153	33,881
2018	157	34,377
2019	161	34,585
After 2019	610	310,425
Total future lease payments	\$ 1,376	\$ 480,660

Note 12 - Commitments and Contingencies

NARA has incurred various claims in the normal course of business. The aggregate potential loss to NARA on all outstanding claims, with a reasonable possibility of an unfavorable outcome is estimated not to exceed \$ 890 thousand. Of these, certain settlements or awards on tort claims in amount of \$ 590 thousand may be payable from the U.S. Treasury Judgment Fund in accordance with 31 USC 1304.

Note 13 - Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities, or purposes, and must be accounted for separately from the Government's general revenues. NARA has two funds that are considered funds from dedicated collections; National Archives Trust Fund (NATF) and National Archives Gift Fund (NAGF), which are administered by the National Archives Trust Fund Board.

Congress established the National Archives Trust Fund Board to receive and administer gifts and bequests and to receive monies from the sale of reproductions of historical documents and publications for activities approved by the Board and in the interest of NARA and the Presidential Libraries.

The members of the Board are the Archivist of the United States, who serves as chairman; the Secretary of the Treasury; and the chairman of the National Endowment for the Humanities. Membership on the board is not an office within the meaning of the statutes of the United States. The membership, functions, powers and duties of the National Archives Trust Fund Board shall be as prescribed in the National Archives Trust Fund Board Act of July 9, 1941, as amended (44 U.S. C. 2301-2308). These bylaws are adopted pursuant to the authority vested in the Board by 44 U.S. C. 2303 (3) to adopt bylaws, rules and regulations necessary for the administration of its function under this chapter.

NATF finances and administers the reproduction or publication of records and other historical materials. NAGF accepts, receives, holds and administers, in accordance with the terms of the donor, gifts, or bequests of money, securities, or other personal property for the benefit of NARA activities. The major areas of activity for these funds are Presidential Libraries, the Office of Regional Records Services, and the National Historical Publications and Records Commission.

National Archives and Records Administration
FY 2014 Agency Financial Report

Financial information for NATF and NAGF as of September 30, 2014 and 2013 consists of the following:

<i>(in thousands)</i>	2014		
	NATF	NAGF	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2014			
Assets			
Fund balance with Treasury	\$ 783	\$ 256	\$ 1,039
Cash	65	-	65
Investments, net	37,462	27,611	65,073
Accounts receivable	261	-	261
Inventory	893	-	893
Property, plant & equipment	79	-	79
Total assets	39,543	27,867	67,410
Liabilities			
Accounts payable	814	14	828
Federal employee and veteran benefits	415	-	415
Other liabilities	950	-	950
Total liabilities	2,179	14	2,193
Net position			
Cumulative results of operations			
Conditional	-	23,361	23,361
Unconditional	37,364	4,492	41,856
Total net position	37,364	27,853	65,217
Total liabilities and net position	\$ 39,544	\$ 27,867	\$ 67,410
Statement of Net Cost for the Period Ended September 30, 2014			
Gross Program Costs	15,270	1,052	16,322
Less Earned Revenues	22,346	-	22,346
Net Costs of Operations	(\$ 7,076)	\$ 1,052	(\$ 6,024)
Statement of Changes in Net Position For the Period Ended September 30, 2014			
Net position, Beginning of period	29,810	27,508	57,318
Non-exchange revenue	-	665	665
Donations	-	1,160	1,160
Transfers-in/out without reimbursements	43	(847)	(804)
Imputed financing from costs absorbed by others	435	-	435
Other Financing Sources	-	418	418
Total financing sources	478	1,396	1,874
Net cost of operations	(7,076)	1,052	(6,024)
Change in Net Position	7,554	344	7,898
Net Position, End of period	\$ 37,364	\$ 27,852	\$ 65,216

The elimination column was omitted because there was no elimination activity.

National Archives and Records Administration
 FY 2014 Agency Financial Report

<i>(in thousands)</i>	2013		
	NATF	NAGF	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2013			
Assets			
Fund balance with Treasury	\$ 617	\$ 100	\$ 717
Cash	68	-	68
Investments, net	30,808	27,540	58,348
Accounts receivable	452	-	452
Inventory	941	-	941
Property, plant & equipment	113	-	113
Total assets	32,999	27,640	60,639
Liabilities			
Accounts payable	1,172	132	1,304
Federal employee and veteran benefits	411	-	411
Other liabilities	1,606	-	1,606
Total liabilities	3,189	132	3,321
Net position			
Cumulative results of operations			
Conditional	-	23,180	23,180
Unconditional	29,810	4,328	34,138
Total net position	29,810	27,508	57,318
Total liabilities and net position	\$ 32,999	\$ 27,640	\$ 60,639
Statement of Net Cost for the Period Ended September 30, 2013			
Gross Program Costs	14,882	3,598	18,480
Less Earned Revenues	21,296	-	21,296
Net Costs of Operations	(\$ 6,414)	\$ 3,598	(\$ 2,816)
Statement of Changes in Net Position For the Period Ended September 30, 2013			
Net position, Beginning of period	22,924	20,762	43,686
Non-exchange revenue	1	625	626
Donations	-	11,135	11,135
Transfers-in/out without reimbursements	41	(541)	(500)
Other Budgetary Financing Sources	-	362	362
Imputed financing from costs absorbed by others	430	-	430
Other Financing Sources	-	(1,237)	(1,237)
Total financing sources	472	10,344	10,816
Net cost of operations	(6,414)	3,598	(2,816)
Change in Net Position	6,886	6,746	13,632
Net Position, End of period	\$ 29,810	\$ 27,508	\$ 57,318

The elimination column was omitted because there was no elimination activity.

Note 14 – Intragovernmental Costs and Exchange Revenues by Program

(in thousands)

	<u>2014</u>	<u>2013</u>
Archives and Records Management Activities		
Intragovernmental gross costs	\$ 53,076	\$ 64,539
Public costs	332,830	349,885
Total Archives and Records Management Activities Costs	385,906	414,424
Intragovernmental earned revenue	91	68
Public earned revenue	-	-
Total Archives and Records Management Activities Earned Revenue	91	68
Trust and Gift Funds		
Intragovernmental gross costs	1,675	2,144
Public costs	12,321	11,396
Heritage asset renovation costs (Note 15)	487	3,171
Total Trust and Gift Funds Costs	14,483	16,711
Intragovernmental earned revenue	1,682	1,765
Public earned revenue	20,664	19,531
Total Trust and Gift Funds Earned Revenue	22,346	21,296
National Historical Publications and Records Commission Grants		
Intragovernmental gross costs	-	-
Public costs	6,148	7,911
Total National Historical Publications and Records Commission Grants Costs	6,148	7,911
Archives Facilities and Presidential Libraries Repairs and Restoration		
Intragovernmental gross costs	-	-
Public costs	616	418
Heritage asset renovation costs (Note 15)	12,189	22,380
Total Archives Facilities and Presidential Libraries Repairs and Restoration Costs	12,805	22,798
Revolving Fund Records Center Storage and Services		
Intragovernmental gross costs	75,098	81,403
Public costs	106,444	107,055
Total Revolving Fund Records Center Storage and Service Costs	181,542	188,458
Intragovernmental earned revenue	163,592	176,372
Public earned revenue	1,900	1,498
Total Revolving Fund Records Center Storage and Services Earned Revenue	\$ 165,492	\$ 177,870

Gross costs are classified on the basis of the sources of goods and services. Intragovernmental gross costs are expenses related to purchases from a Federal entity. Intragovernmental earned revenue represents exchange transactions between NARA

and other Federal entities. Public costs are expenses related to purchases from a non-Federal entity, and the exchange revenue is classified as “public earned revenue” where the buyer of the goods or services is a non-Federal entity.

Note 15 – Cost of Stewardship PP&E

Stewardship assets consist of heritage assets as defined in Note 7. The Consolidated Statement of Net Cost includes the following costs to renovate heritage assets buildings and structures, as of September 30.

<i>(in thousands)</i>	2014		2013	
	<i>Appropriation</i>	<i>Gift</i>	<i>Appropriation</i>	<i>Gift</i>
<i>Asset</i>				
National Archives Building	\$ 1,628	\$ 376	\$ 6,492	\$ 3,056
<u>Libraries:</u>				
Roosevelt	1,042	-	8,306	-
Hoover	2,469	-	371	-
Truman	532	-	898	-
Eisenhower	3,130	-	1,202	-
Kennedy	546	111	2,257	115
Johnson	285	-	72	-
Nixon	158	-	383	-
Ford	34	-	752	-
Carter	1,072	-	1,195	-
Reagan	1,011	-	384	-
Bush	199	-	68	-
Clinton	83	-	-	-
Total	\$ 12,189	\$ 487	\$ 22,380	\$ 3,171

For additional information about NARA’s Stewardship Assets see Note 7 and Required Supplementary Information.

Note 16 – Stewardship PP&E Acquired Through Transfer, Donation or Devise

Other than permanent records accessioned from other Federal Agencies and Executive Office, NARA may gain ownership of heritage assets received through gifts of money, security or other property. The National Archives Gift fund receives and accepts, holds and administers in accordance with the terms of the donor, gifts or bequests for the benefit of the National Archives Gift Fund activities or Presidential Libraries. Additional information about heritage assets is presented in Note 7, and detailed by the type and quantity of heritage assets collections.

Note 17 - Cleanup Cost Adjustment

In FY13, NARA recorded a liability and a prior period adjustment of \$6.2 million on the statement of changes in net position, resulting from the implementation of a new accounting standard, FASAB Technical Bulletin 2006-1: *Recognition and Measurement of Asbestos-Related Cleanup Costs*. The standard requires all Federal entities to disclose the estimated clean up costs for the future removal of asbestos that does not pose an immediate health threat; known as nonfriable asbestos. NARA has identified seven facilities (all are stewardship assets) where the existence of nonfriable asbestos is probable. NARA developed a method to estimate the liability for future nonfriable asbestos cleanup costs by using the quantity of nonfriable asbestos identified in previous asbestos surveys and other reports, and the current cost to contain, remove, and dispose it. Annually, this cost estimate is reviewed and updated for any asbestos clean up activity performed during the year and includes an escalation to account for inflation.

Note 18 - Apportionment Categories of Obligations Incurred

OMB typically uses one of two categories to distribute budgetary resources subject to apportionment in a fund. Apportionments that are distributed by fiscal quarters are classified as category A; category B apportionments usually distribute budgetary resources by activities, project, objects or a combination; NARA's Trust fund remains exempt from apportionment.

(in thousands)

	Category A		Category B		Exempt		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Direct	\$ 372,917	\$ 361,586	\$ 20,978	\$ 48,324	\$ -	\$ -	\$ 393,895	\$409,910
Reimbursable	1,526	1,554	177,643	176,645	17,765	15,880	196,934	194,079
Total	\$ 374,443	\$ 363,140	\$198,621	\$224,969	\$17,765	\$15,880	\$ 590,829	\$603,989

Note 19 - Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting* calls for explanations of material differences between budgetary resources available, status of those resources and outlays as presented in the Statement of Budgetary Resources (SBR) to the related actual balances published in the *Budget of the United States Government* (President's Budget). However, the President's Budget that will include FY 2014 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2015.

Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

Instead, NARA prior year actual SBR balances and the related President's Budget are shown in a table below for each major budget account in which a difference exists. The differences are primarily due to reporting requirement differences for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both unexpired and expired appropriations, while the President's Budget discloses only unexpired budgetary resources that are available for new obligations.

(in millions)

	2013			
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 695	\$ 604	(\$ 13)	\$ 389
Difference-Expired appropriations	(18)	-	-	-
Difference-Rounding	2	1	-	-
Budget of the U.S. Government	\$ 679	\$ 605	(\$ 13)	\$ 389

Note 20 – Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at September 30, 2014 and 2013 is \$131,623 thousand and \$118,242 thousand, respectively.

Note 21 – Reconciliation of Net Cost of Operations (proprietary) to Budget

Reconciling budgetary resources obligated during the period to the Net Cost of Operations explains the relationship between the obligation basis of budgetary accounting and the accrual basis of financial (proprietary) accounting.

The reconciliation starts with the net obligations incurred during the period.

Obligations incurred are amounts of new orders placed, contracts awarded, services received and other similar transactions that will require payments during the same or a future period. Obligations incurred are netted against the spending authority from offsetting collections, recoveries, and offsetting receipts. To arrive at the total resources used to finance operations, non-budgetary resources must be added to net obligations incurred.

Non-budgetary resources include financing imputed for cost subsidies and unrealized gains and losses from non-federal securities being held by the Gift fund.

Resources that do not fund net costs of operations are primarily the change in amount of goods, services and benefits ordered but not yet received, amounts provided in the current reporting period that fund costs incurred in prior years and amounts incurred

for goods or services that have been capitalized on the balance sheet. These are deducted from the total resources.

Costs that do not require resources in the current period consist of depreciation and asset revaluations. Financing sources yet to be provided are the financing amounts needed in a future period to cover costs incurred in the current period, such as unfunded annual leave and unfunded workers compensation. The costs that do not require resources in the current period and the financing sources yet to be provided are added to the total resources used to finance operations, to arrive at the net cost of operations for the current period.

(in thousands)

	2014	2013
Net obligations incurred	\$ 361,574	\$ 346,968
Non-budgetary Resources	21,216	19,286
Total resources used to finance activities	382,790	366,254
Resources that do not fund net cost of operations	(33,892)	(2,652)
Cost that do not require resources in the current period	62,463	86,006
Financing sources yet to be provided	1,595	1,460
Net cost of operations	\$ 412,956	\$ 451,068

Note 22 – Adjustment to unobligated balance, brought forward, October 1

NARA made an adjustment to the unobligated balance, brought forward, on the Statement of Budgetary Resources, to correct a FY13 error of \$6 million, which NARA identified during preparation of the current period financial statements. During FY 2013, a valid customer agreement was entered under an invalid customer agreement number. The action to establish a correct agreement was successful, however the action to remove the original entry did not process; resulting in a duplicate budget authority and unfilled customer order account at the end of the FY 2013. NARA chose to adjust beginning balance of the unobligated balance, brought forward, October 1 to accurately present FY 2014 activity on the Statement of Budgetary Resources. This *Adjustment to unobligated balance, brought forward, October 1* corrected the current year's *Spending Authority from offsetting collections* for FY2014.

Required Supplementary Information

Deferred Maintenance

The National Archives owns and manages assets including the National Archives Building, the National Archives at College Park, MD, the Southeast Regional Archives building in Atlanta, GA, and the Presidential Libraries. The rest of NARA facilities are leased from GSA or the public. All of these support NARA's mission to safeguard and preserve our most significant heritage assets, the national record holdings in our custody.

To ensure the preservation of the archival holdings NARA applies a multi-faceted strategy, which includes storage in appropriate environment, and various preservation actions, such as holdings maintenance, custom housing, and reformatting and conservation treatment. Through agency-wide risk and condition assessment processes that are a function of the day to day operations, such as accessioning of records, NARA obtains condition information for its collection type heritage assets.

Extensive preservation actions are required on records identified as "at-risk" to minimize further deterioration and to remediate damage that has occurred due to age or improper handling prior to arrival at NARA. The progress on the ongoing challenge of the backlog of records requiring preservation is tracked and reported as one of our critical performance measures (to be demonstrated in the Annual Performance Report)

Because the space where the records are preserved is critical to preventing deterioration of the records, NARA has implemented federal records and archival storage standards to reduce damage to holdings prior to their accession by NARA, as well as when in NARA's possession. The deferred costs to address deficiencies related to compliance of NARA owned facilities with these storage standards are included in the estimate, below.

NARA uses the condition assessment method to determine the condition of its fixed assets, including stewardship PP&E facilities. The condition assessment surveys (CAS) at NARA are conducted by a professional architectural firm that prepares Building Condition Reports (BCR) for all NARA owned facilities. BCRs are scheduled approximately every five years from the last BCR or major renovation at each facility. Facility managers continue to assess critical needs between BCRs. Maintenance required to bring fixed assets to acceptable condition, which is not scheduled or performed when needed, is included in the deferred maintenance estimate below.

At the end of Fiscal Year 2014, needed maintenance projects for sixteen locations, including thirteen Presidential Libraries, have been identified from current BCR reports, and are included in the deferred maintenance estimate.

<u>Category</u>	<u>Method</u>	<u>Acceptable Asset Condition</u>	<u>Estimated Deferred Maintenance</u>
Heritage assets - Buildings	CAS	Good	\$34-36 million
Multi-use assets - Buildings	CAS	Good	\$9-10 million

NARA categorizes facilities and equipment according to condition using terms such as those shown below:

- *Good.* Facilities/equipment condition meets established maintenance standards, operating efficiently and has a normal life expectancy. Scheduled maintenance should be sufficient to maintain the current condition. There is no critical deferred maintenance on building and equipment in good condition.
- *Fair.* Facilities/equipment condition meets minimum standards, but requires additional maintenance or repairs to prevent further deterioration, increase operating efficiency and to achieve normal life expectancy.
- *Poor/Unsatisfactory.* Facilities/equipment does not meet most maintenance standards and requires frequent repairs to prevent accelerated deterioration and provide a minimal level of operating function.

Due to the scope, nature and variety of the assets and the nature of the deferred maintenance, exact estimates are very difficult to determine. Current estimates include correcting deficiencies that relate to the safety or the protection of valuable materials, modifications to provide safety and public accessibility to the facility, and electrical upgrades to prevent loss of critical data. The estimates generally exclude vehicles and other categories of operating equipment.

National Archives and Records Administration
 FY 2014 Agency Financial Report

Schedule of Budgetary Resources by Major Budget Accounts

(in thousands)

Fiscal Year 2014	Archives and Records Management Activities	Gift Fund	Trust Fund	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
Budgetary Resources							
Unobligated Balance brought forward, October 1:	\$ 20,363	\$ 2,136	\$ 10,467	\$ 524	\$ 11,866	\$ 45,658	\$ 91,014
Adjustment to unobligated balance, brought forward, October 1	-	-	-	-	-	(6,000)	(6,000)
Unobligated balance brought forward, October 1	20,363	2,136	10,467	524	11,866	39,658	85,014
Recoveries of prior year unpaid obligations	8,530	8	535	205	25	3,412	12,715
Other changes in unobligated balance	(5,621)	-	-	-	-	-	(5,621)
Unobligated balance from prior year budget authority, net	23,272	2,144	11,002	729	11,891	43,070	92,108
Appropriations (discretionary and mandatory)	374,130	2,642	-	4,500	8,000	-	389,272
Spending authority from offsetting collections	2,268	-	18,074	5	-	175,509	195,856
Total Budgetary Resources	\$ 399,670	\$ 4,786	\$ 29,076	\$ 5,234	\$ 19,891	\$ 218,579	\$ 677,236
Status of Budgetary Resources							
Obligations Incurred	\$ 377,169	\$ 2,368	\$ 17,765	\$ 5,052	\$ 10,831	\$ 177,644	\$ 590,829
Unobligated balance, end of year:							
Apportioned	1,605	2,417	-	182	9,061	40,460	53,724
Exempt from apportionment	-	-	11,311	-	-	-	11,311
Unapportioned	20,896	-	-	-	-	475	21,372
Total unobligated balance, end of year	22,501	2,417	11,311	182	9,061	40,935	86,407
Total Budgetary Resources	\$ 399,670	\$ 4,785	\$ 29,076	\$ 5,234	\$ 19,892	\$ 218,579	\$ 677,236
Change in Obligated Balance							
Obligated balance, start of year (net)	\$ 112,353	\$ 727	\$ 2,660	\$ 9,810	\$ 10,815	\$ (22,744)	\$ 113,621
Adjustments to uncollected payments from Federal sources, start of year	-	-	-	-	-	6,000	6,000
Obligations incurred	377,170	2,368	17,765	5,052	10,831	177,643	590,829
Less: Gross outlays	(359,686)	(2,864)	(17,896)	(6,383)	(14,597)	(171,243)	(572,669)
Less: Recoveries of prior year unpaid obligations, actual	(8,530)	(8)	(535)	(205)	(25)	(3,412)	(12,715)
Change in uncollected customer payments from Federal sources	21	-	576	-	-	4,555	5,152
Obligated balance, net, end of period	\$ 121,328	\$ 223	\$ 2,570	\$ 8,274	\$ 7,024	\$ (9,201)	\$ 130,218
Budget Authority, gross (discretionary and mandatory)							
Budget authority, gross (discretionary and mandatory)	\$ 376,398	\$ 2,642	\$ 18,074	\$ 4,505	\$ 8,000	\$ 175,509	\$ 585,128
Actual offsetting collections (discretionary and mandatory) (-)	(20,244)	-	(18,650)	(5)	-	(180,064)	(218,963)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	21	-	576	-	-	4,555	5,153
Anticipated offsetting collections (discretionary and mandatory) (+ or -)	-	-	-	-	-	-	-
Budget Authority, net (discretionary and mandatory)	\$ 356,175	\$ 2,642	\$ -	\$ 4,500	\$ 8,000	\$ -	\$ 371,317
Outlays, gross (discretionary and mandatory)							
Outlays, gross (discretionary and mandatory)	\$ 359,687	\$ 2,864	\$ 17,895	\$ 6,383	\$ 14,597	\$ 171,243	\$ 572,669
Less: Actual offsetting collections (discretionary and mandatory) (-)	(20,243)	-	(18,651)	(5)	-	(180,064)	(218,963)
Less: Distributed Offsetting receipts	(89)	(2,641)	-	-	-	-	(2,730)
Agency Outlays, net (discretionary and mandatory)	\$ 339,355	\$ 223	\$ (756)	\$ 6,378	\$ 14,597	\$ (8,821)	\$ 350,976

National Archives and Records Administration
FY 2014 Agency Financial Report

Schedule of Budgetary Resources by Major Budget Accounts

(in thousands)

Fiscal Year 2013	Archives and Records Management Activities	Gift Fund	Trust Fund	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
<u>Budgetary Resources</u>							
Unobligated Balance brought forward, October 1:	\$ 38,599	\$ 2,221	\$ 8,544	\$ 719	\$ 16,715	\$ 22,013	\$ 88,811
Adjustment to unobligated balance, brought forward, October 1	-	-	(724)	-	-	-	(724)
Unobligated balance brought forward, October 1, as adjusted	38,599	2,221	7,820	719	16,715	22,013	88,087
Recoveries of prior year unpaid obligations	5,029	66	722	567	1,059	3,206	10,649
Other changes in unobligated balance	(4,590)	-	-	-	-	-	(4,590)
Unobligated balance from prior year budget authority, net	39,038	2,287	8,542	1,286	17,774	25,219	94,146
Appropriations (discretionary and mandatory)	357,660	12,823	-	4,738	8,624	-	383,845
Spending authority from offsetting collections	2,123	-	17,805	-	-	197,084	217,012
Total Budgetary Resources	<u>\$ 398,821</u>	<u>\$ 15,110</u>	<u>\$ 26,347</u>	<u>\$ 6,024</u>	<u>\$ 26,398</u>	<u>\$ 222,303</u>	<u>\$ 695,003</u>
<u>Status of Budgetary Resources</u>							
Obligations Incurred	\$ 378,458	\$ 12,974	\$ 15,880	\$ 5,500	\$ 14,532	\$ 176,645	\$ 603,989
Unobligated balance, end of year:							
Apportioned	2,682	2,136	-	476	11,866	39,357	56,517
Exempt from apportionment	-	-	10,467	-	-	-	10,467
Unapportioned	17,681	-	-	48	-	6,301	24,030
Total unobligated balance, end of year	<u>20,363</u>	<u>2,136</u>	<u>10,467</u>	<u>524</u>	<u>11,866</u>	<u>45,658</u>	<u>91,014</u>
Total Budgetary Resources	<u>\$ 398,821</u>	<u>\$ 15,110</u>	<u>\$ 26,347</u>	<u>\$ 6,024</u>	<u>\$ 26,398</u>	<u>\$ 222,303</u>	<u>\$ 695,003</u>
<u>Change in Obligated Balance</u>							
Obligated balance, start of year (net)	\$ 113,429	\$ 3,229	\$ 1,245	\$ 12,666	\$ 22,533	\$ (9,737)	\$ 143,365
Adjustments to uncollected payments from Federal sources, start of year	-	-	724	-	-	-	724
Obligations incurred	378,457	12,975	15,880	5,501	14,532	176,644	603,989
Less: Gross outlays	(374,484)	(15,411)	(14,439)	(7,790)	(25,190)	(172,505)	(609,819)
Less: Recoveries of prior year unpaid obligations, actual	(5,029)	(66)	(722)	(568)	(1,059)	(3,205)	(10,649)
Change in uncollected customer payments from Federal sources	(21)	-	(28)	-	-	(13,940)	(13,989)
Obligated balance, net, end of period	<u>\$ 112,352</u>	<u>\$ 727</u>	<u>\$ 2,660</u>	<u>\$ 9,809</u>	<u>\$ 10,816</u>	<u>(\$ 22,743)</u>	<u>\$ 113,621</u>
<u>Budget Authority and Outlays, Net:</u>							
Budget authority, gross (discretionary and mandatory)	\$ 359,783	\$ 12,823	\$ 17,805	\$ 4,738	\$ 8,624	\$ 197,084	\$ 600,857
Actual offsetting collections (discretionary and mandatory) (-)	(18,624)	-	(17,776)	-	-	(183,144)	(219,544)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	(21)	-	(28)	-	-	(13,940)	(13,989)
Budget Authority, net (discretionary and mandatory)	<u>\$ 341,138</u>	<u>\$ 12,823</u>	<u>\$ 1</u>	<u>\$ 4,738</u>	<u>\$ 8,624</u>	<u>\$ -</u>	<u>\$ 367,324</u>
Outlays, gross (discretionary and mandatory)	\$ 374,484	\$ 15,411	\$ 14,439	\$ 7,790	\$ 25,190	\$ 172,505	\$ 609,819
Less: Actual offsetting collections (discretionary and mandatory) (-)	(18,624)	-	(17,776)	-	-	(183,144)	(219,544)
Less: Distributed Offsetting receipts	(17)	(12,821)	-	-	-	-	(12,838)
Agency Outlays, net (discretionary and mandatory)	<u>\$ 355,843</u>	<u>\$ 2,590</u>	<u>(\$ 3,337)</u>	<u>\$ 7,790</u>	<u>\$ 25,190</u>	<u>(\$ 10,639)</u>	<u>\$ 377,437</u>

Independent Auditors' Reports (FY 2014)

OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the National Archives and Records Administration (NARA) for the fiscal years ended September 30, 2014 and 2013. We contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to perform the fiscal year 2014 financial statements audit. The fiscal year 2013 financial statements audit was performed by Cotton & Company, LLP. The audits were conducted in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable provisions of the OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, as amended, and the GAO/PCIE *Financial Audit Manual*.

In its audit opinion on NARA's financial statements, CLA report states that the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2014, and its net cost, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

CLA reported no material weaknesses¹ or significant deficiencies² in internal control over financial reporting. CLA disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements as required by OMB guidance that could have a direct and material effect on the determination of financial statement amounts.

In connection with the contract, we reviewed CLA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, as we do not express, an opinion on NARA's financial statements or conclusions about the effectiveness of internal control over financial reporting or compliance with laws, regulations, contracts and grant agreements. CLA is responsible for the attached auditor's report dated November 10, 2014, and the conclusions expressed in the accompanying reports. However, our review disclosed no instances where CLA did not comply, in all material respects, with generally accepted government auditing standards.

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis.

² A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



CliftonLarsonAllen LLP
www.claconnect.com

INDEPENDENT AUDITORS' REPORT

The Inspector General
National Archives and Records Administration

Report on the Financial Statements

We have audited the accompanying financial statements of National Archives and Records Administration (NARA), which comprise the balance sheet as of September 30, 2014, and the related statements of net cost and changes in net position, the combined statement of budgetary resources for the year then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

NARA management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.) and the design, implementation, and maintenance of internal control over financial reporting relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02). Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are also responsible for applying certain limited procedures with respect to the required supplementary information and other information included with the financial statements.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NARA as of September 30, 2014, and its net costs, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the U.S. The financial statements of NARA as of and for the year ended September 30, 2013 (FY 2013) were audited by other auditors, whose report dated December 16, 2013, expressed an unmodified opinion on those financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that Management Discussion and Analysis (MD&A) on Section 1 and other Required Supplementary Information (RSI) on Section 2 of the Annual Financial Report (AFR) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the MD&A and other RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The other information (OI) on Section 3 of the AFR, the Letter from the Archivist, and the Letter from the Chief Financial Officer contains a wide range of information, some of which is not directly related to the financial statements.

This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. The OI has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NARA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of NARA's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of NARA's internal control or on management's assertion on internal control included in the MD&A.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NARA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance

As part of obtaining reasonable assurance about whether NARA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with our professional responsibilities discussed below.

Management's Responsibility for Internal Control and Compliance

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA); (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting; and (3) complying with other applicable laws, regulations, contracts, and grant agreements.

Auditors' Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit; and (2) testing compliance with certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws, regulations, contracts and grant agreements applicable to NARA. We limited our tests of compliance to certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of NARA's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NARA's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Arlington, VA
November 10, 2014

Management Response to Auditors' Report (FY 2014)



ARCHIVIST *of the*
UNITED STATES

DAVID S. FERRIERO
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Date: November 12, 2014
To: James Springs, Acting Inspector General
From: David S. Ferriero, Archivist of the United States
Subject: Management Response to the FY 2014 Financial Statement Audit

Thank you for the opportunity to review your reports, *Independent Auditor's Report* and *Independent Auditor's Report on Internal Control and Compliance*, related to the financial statement audit of the National Archives and Records Administration for the fiscal year ending September 30, 2014.

I am pleased to have received an unmodified or "clean" independent audit opinion on our financial statements. An unmodified opinion recognizes NARA's commitment to producing accurate and reliable financial statements, and supports our efforts to continuously improve our financial management program.

I would like to thank the Office of Inspector General and CliftonLarsonAllen LLP for their cooperative and professional approach.



DAVID S. FERRIERO
Archivist of the United States

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SECTION 3: OTHER 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.

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, cost overruns, and technical shortcomings 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. Additionally, NARA needs to start planning for a significant number of electronic records from the Executive Office of the President, as there will be a change of administration after the 2016 election.

Audits, investigations, and reviews performed in FY 2014:

- Status Update of the Electronic Records Archives Executive Office of the President Data Migrations Project

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 email, 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 branch 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. Until sufficient controls have been implemented to protect permanent

Federal electronic records from loss, NARA should classify electronic records management as a material weakness.

Audits, investigations, and reviews performed in FY 2014:

- Audit of Selected Aspects of NARA's Digitization Program
- Management Letter - Delayed Refiling May Put Records at Risk

3. Information Technology Security

The Archivist identified IT Security as a material weakness under the Federal Managers' Financial Integrity Act reporting process from FY 2007 to FY 2012. In 2013, NARA reclassified and downgraded the material weakness in IT security to a reportable issue. This is concerning as audits and assessments continually identify significant improvements and focused efforts are needed to establish a mature information security program. Further, there are identified vulnerabilities which still present an extreme risk to the agency and its sensitive data.

Annual assessments of NARA's compliance with the Federal Information Security Management Act have consistently identified program areas in need of significant improvement. NARA has some elements of an information security program but real progress will not be made until NARA establishes an effective system of internal control for information security. The confidentiality, integrity, and availability of our electronic records and information technology systems are only as good as NARA's IT security program infrastructure.

In FY 2012, an assessment 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, 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.

Audits, investigations, and reviews performed in FY 2014:

- Audit of NARA's Capital Planning and Investment Control (CPIC) Process
- Audit of NARA's Enterprise Wireless Access
- Audit of Selected Aspects of NARA's Digitization Program
- Investigation related to Missing Laptops
- Investigations related to Misuse of a NARA Computer

- Investigation related to Problems with IT Infrastructure

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 32 percent 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. However, NARA's FY 2012 assurance statement downgraded the Processing Program from a material weakness to a reportable condition. This is concerning as audits have identified multiple issues with the program, including the fact NARA lacks an adequate strategic processing direction. Further, NARA reports unprocessed records by giving the percentage of records which have been processed. However, this can lead to un-intuitive results, such as when the physical volume of unprocessed records increases, but the percentage of records processed increases as well since the total collection is growing. Thus an "improving" percentage figure can at times also represent a growing backlog of unprocessed records.

Another challenge for NARA, given society's growing expectation for easy and near-immediate access to information online, will be to provide such access to records created digitally ("born digital") and to identify those textual records most in demand so they can be digitized and made available electronically. The ERA's diminished access capabilities compound this challenge (see Challenge #1 above). Another access issue is the lack of mobile interfaces for smartphones, tablets, and similar devices for any NARA website. Finally, 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.

NARA's FY 2014-2018 Strategic Plan establishes public access as NARA's core purpose, with the goal to "Make Access Happen." In the Plan NARA also identified an initiative to digitize all analog archival records to make them available online. However, over the past six years, NARA has established similar digitization goals without putting in place the necessary management and strategic direction to achieve consistent, measureable results. Therefore, in order for NARA to meet its self-described "core purpose," NARA must ensure the appropriate management, strategy, and resources are in place to achieve its access and digitization goals.

Audits, investigations, and reviews performed in FY 2014:

- Audit of Selected Aspects of NARA's Digitization Program

- Status Update of the Electronic Records Archives Executive Office of the President Data Migrations Project
- Management Letter – Customer Service Weaknesses at the National Personnel 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 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.

In addition to NARA’s physical storage needs, the agency is also challenged in meeting its requirements for electronic data storage. NARA’s in-house data storage is reaching capacity, impacting the agency’s digitization efforts and other IT programs dependent on scalable, secure, and readily available data storage. Increasing amounts of electronic data storage is necessary for NARA to continue accepting, storing, and processing records and making them available to the public. NARA is challenged to develop an enterprise-wide data storage management solution that is compliant with the Office of Management and Budget’s Federal Data Center Consolidation Initiative, which focuses on reducing the energy and real estate footprint of government data centers.

Audits, investigations, and reviews performed in FY 2014:

- Audit of Selected Aspects of NARA’s Digitization Program

6. Preservation Needs of Records

Preservation continues to be a material weakness for the agency. 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 audiovisual records are stored on. Per management, preservation resources have not been able to adequately address the growth in holdings needing preservation action. 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 remains steady. 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 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

Holdings Security continues to be 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. NARA's implementation of the Holdings Protection Team and stricter access controls within the past five years has increased NARA's security posture. However, without adequate oversight and

accountability, NARA continues to be challenged in implementing an effective Holdings Protection Program.

Audits, investigations, and reviews performed in FY 2014:

- Management Letter – Untimely Notification Hinders OIG’s Ability to Investigate Potential Theft and Places NARA Holdings at Risk
- Management Letter – Delayed Refiling May Put Records at Risk
- Investigation related to the Removal and Destruction of Records
- Investigation related to Researcher Misconduct
- Investigation related to Unauthorized Access to NARA Records

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 2014:

- Audit of the Management and Oversight of NARA’s Energy Savings Performance Contracts
- Audit of NARA’s Field Offices Acquisition Activity
- Audit of NARA’s Capital Planning and Investment Control (CPIC) Process
- Status Update of the Electronic Records Archives Executive Office of the President Data Migrations Project

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 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.

Federal Managers' Financial Integrity Act Report



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FY 2014 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 requirements and objectives of the Federal Managers' Financial Integrity Act (FMFIA) and OMB A-123, Management's Responsibility for Internal Control. I am able to provide a qualified statement of assurance that, with the exception of a material weakness in NARA's Preservation program, NARA's internal controls are meeting their intended objective of providing reasonable assurance that:

- (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 internal control testing, monitoring and reporting conducted by NARA offices, and; audits and evaluations conducted by NARA's Office of Inspector General (OIG), the Government Accountability Office (GAO), and other third parties. NARA continued to improve and mature the revamped internal control program that became operational in fiscal year 2013, improving our understanding and application of internal controls and risk management across the agency and resulting in a more robust and systematic program. I have also considered the advice of key management officials and the Inspector General in preparing this statement of assurance.

The qualification in this assurance statement pertains to controls and risks around NARA's Preservation program, which remains a FMFIA material weakness. Efforts to fully resolve this material weakness are monitored by NARA's Management Controls Oversight Council (MCOC), a senior oversight body, and results are reported directly to me.

DAVID S. FERRIERO
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FY 2014 REPORT ON INTERNAL CONTROLS

Background on Reporting 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 that federal agencies have in place a process to assess and report on the effectiveness of internal controls. That assessment includes providing reasonable assurance over (1) the effectiveness and efficiency of operations, (2) reliability over financial reporting, and (3) compliance with applicable laws and regulations, and; reporting existing material weaknesses, with a summary of corrective action plans, and timeline for resolution.

NARA did not have any material weaknesses associated with its financial statement or financial reporting at the end of FY 2014.

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS
 Statement of Assurance: Qualified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Holdings Protection	1	0	1	0	0
Presidential Libraries Artifact Inventory Controls	1	0	1	0	0
Preservation of Textual Archival Records	1	0	0	0	1
<i>Total Material Weaknesses</i>	3	0	2	0	1

SUMMARY OF FMFIA MATERIAL WEAKNESS

Textual Archival Records Preservation

In FY 2007, we identified a material weakness in textual archival records preservation. Every cultural institution faces an enormous need for additional preservation resources. NARA is no different – the volume of incoming archival records presents challenges in providing preservation actions. In lieu of a large influx of new resources, 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.

We have effective programs for treating 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 including a risk based approach to prioritizing actions, and possibly more resources directed to identify and then treat our holdings that are in imminent danger.

In FY 2013 we began a fundamental reassessment of this area, taking into consideration a recently issued OIG follow up audit of preservation. This fundamental reassessment continued into FY 2014. In FY 2015, we will analyze the results of the reassessment, the impact on NARA’s preservation program and processes, and evaluate whether and to what extent systemic weaknesses exist. If this reassessment results in a determination of a material weakness, we will develop and implement an action plan with due dates, overseen by NARA’s senior management, in accordance with requirements in OMB A-123.



This Agency Financial Report is available at www.archives.gov/about/plans-reports/, as well as Performance and Accountability Reports for previous years, Strategic Plan, Annual Performance Plans and Performance Budgets.

Links to other web pages of interest, such as Archival Holdings research tools, Presidential Libraries, and Public documents by Office of Federal Register may be found at www.archives.gov.

To comment on this report, please e-mail performance@nara.gov.