

## SECTION 4 OTHER ACCOMPANYING INFORMATION

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

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

Based on congressional interest, GAO conducted an evaluation of NARA's Information Security Program and NARA's ability to effectively carry out its mission of overseeing the management of federal records while preserving those of historic and intrinsic value. Final audit reports from these audits have not been issued and the results may impact management challenges.

#### **1. Electronic Records Archives**

NARA's mission with the Electronic Records Archives (ERA) is to build a system accommodating the government's vast amounts of electronic records stored in past, present, and future formats. The challenge is to deliver and maintain a functional system for preserving and providing access to our nation's electronic records for as long as needed. Electronic records are vital to how our government works, and their preservation through the ERA will define what information future generations will be able to access and use. However, the ERA Program has experienced delivery delays, budgeting problems, and contractor staffing problems. Initial Operating Capacity (IOC) for the ERA Program was delayed from September 2007 until June 2008, and even then, program functions available at IOC were less than the original requirements. Also, the component to handle all White House records, the Executive Office of the President (EOP) System, was separated out due to delays and pursued down a separate line of development.

The success of this mission-critical program is uncertain. As a result of unknown funding levels and the decision by OMB to end ERA development at the end of FY 2011, NARA is planning on deferring implementation of 20 percent of the original system requirements. Agency officials reported that, as of the beginning of August 2010, 41 percent of the requirements have been implemented, and the plan is to have 80 percent implemented by the end of FY 2011.

In August 2010, OMB placed the ERA Program on its high-priority list which is comprised of 26 high-risk IT projects selected from across the federal government. The major problems that NARA must remedy are the: (1) lack of detailed plans for the final two increments, (2) low usage of the system, and (3) need for improved strategic planning. NARA's actions planned to correct these problems include preparing a detailed plan that focuses on accelerated user adoption of the ERA System, and updating ERA implementation plans to reflect an end to system development on September 30, 2011. System development had been planned to extend through March 2012.

*Audits, investigations, and reviews performed in FY 2010:*

- Search Engine Analysis for Online Public Access to the ERA
- Award Fee Program for the ERA Development Contract
- Concerns with the ERA System's Ability to Conduct Full-Text Searches
- Inadequate Contingency Planning for the ERA System
- Similar Developmental Issues Exist for both NARA's ERA Program and the FBI's Sentinel Project
- No Alternative Back-up Site for the ERA System

## **2. Improving Records Management**

Part of NARA's mission is safeguarding and preserving the records of our government, thereby ensuring people can discover, use, and learn from this documentary heritage. NARA provides continuing access to the essential documentation of the rights of American citizens and the actions of their government. The effective management of these records is key to accomplishing this mission. NARA must work with Federal agencies to ensure the effective and efficient appraisal, scheduling, and transfer of permanent records, in both traditional and electronic formats. The major challenge is how best to accomplish this component of our overall mission while reacting and adapting to a rapidly changing technological environment in which electronic records, particularly e-mail, proliferate. In short, while the ERA system is intended to work with electronic records received by NARA, we need to ensure the proper electronic and traditional records are in fact preserved and sent to NARA in the first place.

NARA also directs the Electronic Records Management (ERM) initiative, one of 24 Government-wide initiatives under the E-Government Act of 2002. The ERM initiative will provide guidance to agencies in managing and transferring their permanent electronic records to NARA, in an increasing variety of data types and formats. In June 2008, GAO recommended NARA develop and implement an approach to provide oversight of agency electronic records management programs to provide adequate assurance that NARA guidance is effective and the agencies are following electronic records guidance. NARA, its Government partners, and Federal agencies are challenged with determining how best to manage electronic records and how to make ERM and e-Government work more effectively.

*Audits, investigations, and reviews performed in FY 2010:*

- Audit NARA's Oversight of Electronic Records Management in the Federal Government
- Audit of the Process for Providing and Accounting for Information Provided to Researchers

## **3. Information Technology Security**

The Archivist identified IT Security as a material weakness under the Federal Managers Financial Integrity Act reporting process beginning in FY 2007. NARA's Office of Information Services (NH) conducted an independent assessment of the IT security program using the Program Review for Information Security Management Assistance (PRISMA) methodology developed by the National Institute for Standards and Technology (NIST) in FY 2007. The assessment stated NARA's policy and supporting procedures for IT security were weak, incomplete, and too dispersed to be effective. The majority of the weaknesses identified during the assessment remain open.

IT security continues to present major challenges for NARA, including physical security of IT hardware and technical vulnerabilities within our electronic systems themselves and how NARA operates them. The confidentiality, integrity, and availability of our electronic records and information technology systems are only as good as our IT security infrastructure. A GAO review conducted in 2010 identified significant weaknesses in access controls and other information security controls that impair NARA's ability to ensure the confidentiality, integrity, and availability of its information systems. Each year, risks and challenges to IT security continue to be identified. NARA must ensure the security of its data and systems or risk undermining the agency's credibility and ability to carry out its mission.

*Audits, investigations, and reviews performed in FY 2010:*

- Review of NARA's Contract for Information Technology and Telecommunication Support Services
- Audit of NARA's Network Infrastructure
- Backup Computer Tape Disposal
- Investigation of improper disposal of computer hard drives
- Investigations of unauthorized network intrusion and access

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

The records of a democracy's archives belong to its citizens. NARA's challenge is to more aggressively inform and educate our customers about the services we offer and the essential evidence to which we can provide access. Unfortunately, over half of NARA's textual holdings have not been processed to allow efficient and effective access to these records. To meet its mission NARA must work to ensure it has the processes and resources necessary to establish intellectual control over this backlog of unprocessed records.

Another challenge for NARA, given society's growing expectation for easy and near-immediate access to information on-line, will be to provide such access to records created digitally (i.e., "born digital") and to identify those textual records most in demand so they can be digitized and made available electronically. NARA's role in ensuring the timeliness and integrity of the declassification process of classified material held at NARA is also vital to public access.

*Audits, investigations, and reviews performed in FY 2010:*

- Audit of the Process for Providing and Accounting for Information Provided to Researchers
- Audit of the National Historical Publications and Records Commission Grant No. 2004-026 Supreme Court Historical Society
- Audit of the National Historical Publications and Records Commission Grant Historical Society of Washington, D.C.
- Investigation of alleged fraudulent access to veterans records

#### **5. Meeting Storage Needs of Growing Quantities of Records**

NARA-promulgated regulation 36 CFR Part 1228, "Disposition of Federal Records," Subpart K, "Facility Standards for Records Storage Facilities," requires all facilities housing Federal records to meet defined physical and environmental requirements by FY 2009. NARA's challenge is to ensure its own facilities, as well as those used by other Federal agencies, are in compliance with these regulations; and effectively mitigate risks to records which are stored in facilities not meeting these new standards.

## **6. Preservation Needs of Records**

As in the case of our national infrastructure (bridges, sewer systems, etc.), NARA holdings grow older daily and face degradation associated with time. This affects both traditional paper records, and the physical media that electronic records and audio/visual records are stored on. The Archivist previously identified preservation as a material weakness under the Federal Managers' Financial Integrity Act reporting process. However, in FY 2006, preservation was downgraded to a reportable condition, and it is currently being monitored as a significant deficiency. The OIG strongly disagrees with this. Preserving and providing access to records is a fundamental element of NARA's duties to the country, and NARA cannot provide access to records unless it can preserve them for as long as needed. The backlog of records needing preservation action continues to grow. NARA is challenged to address this backlog and future preservation needs, including the data integrity of electronic records. The challenge of ensuring NARA facilities meet environmental standards for preserving records (see OIG Challenge #5) also plays a critical role in the preservation of Federal records.

## **7. Improving Project Management**

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

GAO reported that NARA had been inconsistent in its use of earned value management (EVM), a project management approach that can provide objective reports of project status and early warning signs of cost and schedule overruns. As a result, NARA did not fully implement practices necessary to make effective use of EVM, limiting the reliability of its progress reports.

GAO also reported NARA does not document the results of briefings to its senior management oversight group and thus there is little evidence that this body has reviewed and approved the progress of the ERA system. There is also little evidence that the group identified or took appropriate corrective actions or ensured that the actions were taken and tracked to closure. Without adequate oversight that evaluates project progress, including documenting feedback and action items from senior management, NARA will not be able to ensure that the system is being implemented at acceptable cost and within reasonable and expected time frames.

Inconsistent use of key project management disciplines like earned value management would limit NARA's ability to effectively manage projects and accurately report on its progress.

*Audits, investigations, and reviews performed in FY 2010:*

- Inadequate Contingency Planning for the ERA System
- Similar Developmental Issues Exist for both NARA's ERA Program and the FBI's Sentinel Project

## 8. Physical and Holdings Security

The Archivist has identified security of collections as a material weakness under the FMFIA reporting process. Document and artifact theft is not a theoretical threat; it is a reality NARA has been subjected to time and time again. NARA must maintain adequate levels of security to ensure the safety and integrity of persons and holdings within our facilities. This is especially critical in light of the security realities facing this nation and the risk our holdings may be pilfered, defaced, or destroyed by fire or other man-made and natural disasters.

*Audits, investigations, and reviews performed in FY 2010:*

- Security Conditions in the Research Room at the National Archives in College Park, MD
- Security at Archives I and II
- Proactive holdings Security Assessments
- Three NARA holdings recovered by OIG Office of Investigations
- Investigations of missing, stolen, and/or damaged records

## 9. Contract Management and Administration

The GAO has identified Commercial Services Management (CMS) as a Government-wide initiative. The CMS initiative includes enhancing the acquisition workforce, increasing competition, improving contract administration skills, improving the quality of acquisition management reviews, and strengthening contractor ethics requirements. Effective contract management is essential to obtaining the right goods and services at a competitive price to accomplish NARA's mission. NARA is challenged to continue strengthening the acquisition workforce and improve the management and oversight of Federal contractors. NARA is also challenged with reviewing contract methods to ensure a variety of procurement techniques are properly used in accordance with Federal laws and regulations.

*Audits, investigations, and reviews performed in FY 2010:*

- Review of NARA's Contract for Information Technology and Telecommunication Support Services
- Award Fee Program for the ERA Development Contract
- 1930 census Website Contracting Issues
- False Bidding investigation
- Investigation into alleged double billing by contractor
- Investigation of alleged contract fraud
- Investigation of alleged Procurement Integrity Act violations

## 10. Strengthening Human Capital

The GAO has identified human capital as a Government-wide high risk. GAO explains that it is critical to ensuring that agencies have the talent and skill mix they need to address their current and emerging human capital challenges. In August 2009, NARA published its first Strategic Human Capital Plan, covering fiscal years 2009 through 2014. The SHCP discusses strategies for achieving each of its five human capital goals. However, NARA has yet to develop an agency wide workforce plan. Based on NARA's SHCP, NARA will develop and deploy an integrated workforce plan which will enable to hire and retain the right talent, at the right time, in the right place by December 31, 2014. In July 2010, NARA's 2010 Hiring Reform Action Plan was in place.

Earlier this year the Partnership for Public Service ranked NARA the lowest out of 31 large Federal agencies in its "Best Places to Work in the Federal Government" rankings. The rankings are based on employee responses to the Federal Human Capital Survey (FHCS) administered biannually by the U.S. Office of Personnel Management (OPM). In response to the 2010, FHCS, NARA's Employee Viewpoint Survey Task Force is now conducting a follow-up to the OPM survey to gather feedback and ideas to help make NARA one of the best places to work in the Federal Government. Responses to the survey will be used by the task force to develop an agency-wide action plan to address issues in the areas of Leadership, Communication, Diversity, and Training and Development.

NARA's challenge is to adequately address its workforce's concerns and assess its human capital needs in order to effectively recruit, retain, and train people needed to achieve its mission, both now and in the future.

## FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT



### FY 2010 STATEMENT OF ASSURANCE

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

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

This assessment is based on results of audits and evaluations conducted by the Government Accountability Office (GAO), NARA's Office of Inspector General (OIG), management control evaluations, and other written evaluations conducted in the 13 NARA offices and staff organizations. It is also based on senior management's knowledge gained from the daily operations of NARA programs and systems. I have also considered the advice of the Inspector General concerning this statement of assurance.

The qualification noted above includes material weaknesses in holdings protection, artifact inventory controls in Presidential Libraries, information security, preservation of archival records, and processing of traditional records as discussed in our following report. Efforts to fully resolve these material weaknesses are monitored by NARA's senior staff and results are reported directly to me.

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**FY 2010 REPORT ON INTERNAL CONTROLS**

**Background on FMFIA Requirements**

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

The following tables reflect the number of material weaknesses reported by NARA under Section 2 of FMFIA in recent years. NARA has no material weaknesses in the Financial Statement audit and no material weaknesses related to the Effectiveness of Internal Controls over Financial Reporting.

**NUMBER OF MATERIAL WEAKNESSES**

	Number at Beginning of Fiscal Year	Number Corrected	Number Added	Number Remaining at End of Fiscal Year
FY 2007	1	0	1	2
FY 2008	2	0	1	3
FY 2009	3	1	1	3
FY 2010	3	0	2	5

**EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS**  
 Statement of Assurance: **Qualified**

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Holdings Protection	1					1
Information Security Program	1				1	1
Artifact Inventory Controls in Presidential Libraries	1					1
Preservation of Archival Records		1				1
Traditional Records Processing		1				1
<b>Total Material Weaknesses</b>	<b>3</b>	<b>2</b>			<b>1</b>	<b>5</b>



#### Continuing Improvements in NARA Holdings Protection

NARA reported a material weakness in holdings security in FY 2001 based on investigative findings from our Office of Inspector General (OIG). As reported in prior years, corrective steps have been taken, and many actions have been completed. With our new initiative of a Holdings Protection Program, we continue to build a proactive structure to replace our previous reactive posture. A Holdings Protection Team comprising archival, loss prevention, and training specialists was established in FY 2010. In collaboration with NARA offices, team members provided risk assessment assistance and advice, training, policy and procedure development, and conducted compliance inspections. Working with existing training materials, we improved content and developed different levels of training based on staff needs. Following a pilot training program, we further improved training content and held the second annual holdings protection training sessions for all staff and contractors who work with archival records.

In FY 2010, we achieved short term goals in five main areas:

- **Policy and Procedures**
  - Produced customized researcher orientation slides for 40 NARA locations where research is conducted. These slides have been effective in training new and renewing researchers on proper procedures, rules, regulations, and security practices while in our research rooms.
  - Developed a new standardized incident reporting form to help track researcher policy infractions agency wide, and planned future incorporation into a proposed enterprise researcher ID registration system.
- **Training**
  - Developed and piloted interactive and comprehensive training for all NARA staff that come in contact with archival records. This training uses a combination of e-learning and instructor-led sessions, and a webinar format for remote sites to limit travel costs. We developed detailed training for research room staff on the proper procedures for detecting and confronting a researcher suspected of damaging or stealing NARA holdings.
  - Trained more than 2,400 staff members with the new curriculum.
- **Security for records storage areas**
  - Conducted 16 site visits and made recommendations in regard to access to holdings storage areas and placement of Closed Circuit Television (CCTV) systems at each facility to improve security of holdings.
  - Working with research staff at our two largest research rooms in the Washington D.C., area we assessed the CCTV systems, made changes to camera positions, and installed public view monitors and additional security cameras to act as a deterrent to theft and other misconduct by researchers.
  - We began a project to add electronic access control to holdings storage areas at The National Archives Building, Washington, D.C.

- **Internal controls**
  - Led a comprehensive research project and had three vendors demonstrate the potential of Radio Frequency Identification (RFID) technology to protect external hard drives and other mobile media storage devices. Research centered on applications designed to closely track special or highly vulnerable holdings.
  - Completed a CCTV and RFID scope of work for the Electronic and Special Media Services Division of the Office of Records Services, Washington, D.C.
- **Loss preventions and response**
  - Efforts in this area centered on research room procedures and passive security hardware.

In FY 2011, we will continue work in these same five areas. Some specific plans are:

- **Policy and Procedures**
  - Develop a Random Exit Screening Policy to protect holdings.
  - Continue work on a proposal for an enterprise researcher ID system. When completed, this system will allow staff to maintain real time information on suspended researchers, incident reports, researcher history and records pulled from the stacks. It will improve communications and holdings protection as well as efficiencies within and among research rooms.
  - Develop an enterprise list of patrons that are barred from using NARA research rooms and incorporate this information with the researcher ID system.
  - Finalize and issue all Holdings Protection policy.
- **Training**
  - We expect to complete and roll out training on:
    - Internal Awareness
    - Library and Museum Artifact Holdings Protection
    - Holdings Protection for Supervisors and Managers
    - Train the Trainer Program on all curricula
- **Internal controls**
  - Implement random exit inspections for holdings
- **Security for records storage areas**
  - Continue to access record storage areas to reduce the number of staff with access
- **Loss prevention and response**
  - Develop a compliance program to conduct oversight of Holdings Protection efforts agency wide

#### **Improvement Needed in Presidential Library Artifact Inventory Controls**

In October 2007, NARA's Inspector General issued an audit report regarding inventory controls over artifacts in the Presidential Libraries. In that report, the OIG likened weaknesses found in these controls with those cited in the Holdings Security material weakness. We believe that the control families for these two weaknesses are very different and we will continue to address them separately. In response to the audit, we worked to focus attention and expertise on museum collections; strengthen documentation; identify inventory issues and create appropriate mitigation strategies; and foster better communication among the collections staffs at the 12 library sites, the Presidential Materials Staff, and the Office of Presidential Libraries. In FY 2009, we completed and implemented inventory and re-inventory plans customized to individual libraries, established uniform inventory reporting requirements, and continued to gather and archive inventories in a centralized collections master file. We also completed the physical inventory of the Reagan museum collection, pursued the resolution of issues identified during the inventory, and completed alterations to the Reagan Library collections storage area to mitigate potential earthquake damage.

In FY 2010, NARA made significant strides. We:

- Drafted comprehensive artifact de-accession guidance
- Formalized a collections management platform replacement as an approved NARA IT capital investment project
- Finalized comprehensive inventory policy and procedures
- Pursued customized Library inventory projects and surpassed inventory benchmarks at eight of twelve sites
- Completed a final report on the Reagan Library's 100 percent inventory and drafted a Master Storage Plan for high-density shelving at the Reagan Library

In FY 2011, NARA will focus efforts on the following:

- Finalize comprehensive de-accession guidance
- Complete the procurement requirements to purchase a replacement collections management platform, with purchase dependent upon mid-year funding
- Pursue, support, and monitor individual library inventory and re-inventory projects according to customized inventory plans
- Continue to seek funds for staffing to support core mission inventory and re-inventory work
- Finalize Reagan Library's Master Storage Plan and identify FY 2013 funding needs to implement high-density storage and other recommendations

**Improvement Needed in the NARA Information Security Program**

Since FY 2002, we have reported and resolved several weaknesses in NARA's information security. As noted in the chart on page 2, this year we have reassessed weaknesses in our information security program. Using audit recommendations from the Government Accountability Office (GAO) and NARA's OIG, we identified findings and recommendations within the framework of the National Institute of Standards (NIST) control families defined in *Special Publication 800-53 Revision 3* that best identify where we will focus near term priorities.

At this time, we recognize a material weakness in our Information Security Program with the pressing need to address weaknesses in the following control families:

- Access Control
- Audit and Monitoring
- Configuration Management
- Identification and Authentication
- Physical and Environmental

Over the next several weeks, we will create a detailed plan of action that includes resolution of open findings and recommendations as well as an analysis of recommendations made by various contractor studies since FY 2007. As appropriate, we will be guided by best practices noted in the various reports.

**Improvement Needed in Archival Records Preservation**

Every cultural institution faces an enormous need for additional preservation resources. NARA is no different – the volume of incoming archival records outpaces our ability to keep up with preservation needs. It is critically important to note that we have processes in place for tracking our preservation backlogs and the types of actions needed. Because this information has been refined over the past several years, we know that the percentage of our holdings in this queue has not significantly changed.

At this time, we recognize a material weakness in preservation of NARA's records, with pressing needs in the following areas:

- Special Media Records
- Electronic Records
- Physical and environmental controls to prevent damage to records
- Maximize resources to reduce the at risk backlog

We will continue to maximize existing specialized resources, with priority focus on special media preservation. Special media records are among the highest risk due to media instability and media obsolescence. We will also develop the management controls for managing risk in the preservation of electronic records. NARA recognizes that efficiencies exist in risk management such that damage to records is prevented.

In addition, NARA's Office of Inspector General (OIG) intends to conduct an audit of the Preservation Program in FY 2011. While we continue to work on preservation issues, the results of the upcoming OIG audit and our own analysis will determine how we move forward.

**Further Improvement Needed in Traditional Records Processing**

In FY 2007, NARA's OIG conducted an audit of records processing agency-wide. Since that time, we have treated traditional records processing as a significant deficiency. We now have guidance and procedures in place as well as measures for each of our major program areas. Further, our processed holdings have increased by 58 percent in three years.

Recent events have caused us to take another look and we recognize a material weakness in processing of NARA's traditional records, with pressing needs in the following areas:

- Improve physical control over textual records through hands-on box location verification
- Improve physical control over special media through several inventory projects
- Maximize resources to reduce processing backlog

In addition, NARA's Office of Inspector General (OIG) intends to conduct an audit of the Processing Program in FY 2011. While we continue to work on processing issues, the results of the upcoming OIG audit and our own analysis will determine how we move forward.

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