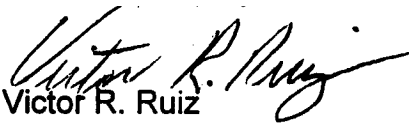




**U.S. Small Business Administration**  
**Office of Inspector General**  
**Washington, DC 20416**

September 15, 1999

TO: Elizabeth Montoya  
Associate Deputy Administrator for Management and Administration

FROM:   
Victor R. Ruiz  
Director, Business Development Group

SUBJECT: Survey of Electronic Records Management

Attached is an Audit Memorandum on Electronic Records Management (ERM). It summarizes the results of a survey we conducted of SBA's policies and procedures related to ERM. It also makes a recommendation that your office implement an ERM program to meet regulatory requirements. Your response to the draft report indicated your awareness of the importance of this issue.

The findings included in this report are the conclusions of the Office of Inspector General's Auditing Division. **The findings and recommendation are subject to review, management decision, and corrective action by your office in accordance with existing Agency procedures for audit follow-up and resolution.**

Please provide your proposed management decision for the recommendation on the attached SBA Form 1824, Recommendation Action Sheet, within 30 days. If you disagree with the recommendation, please provide your reasons in writing.

This report may contain proprietary information subject to the provisions of 18 USC 1905. Do not release to the public or another agency without permission of the Office of Inspector General.

Attachment



**U.S. Small Business Administration**  
**Office of Inspector General**  
**Washington, DC 20416**

<b>AUDIT MEMORANDUM</b>
<b>Issue Date: September 15, 1999</b>
<b>Report Number: 9-23</b>

TO: Elizabeth Montoya  
Associate Deputy Administrator for Management and Administration

FROM:   
Victor R. Ruiz  
Director, Business Development Group

SUBJECT: Survey of Electronic Records Management

After completing a survey, the Auditing Division decided not to perform an audit of SBA's electronic records management (ERM) program at this time. We considered an audit because (1) the agency has become increasingly dependent on electronic records, and (2) magnetic tapes containing records needed for a prior audit were inappropriately erased. We decided not to conduct the audit because SBA's ERM program is in too early a stage of development. This memorandum contains our findings and recommendation based on the survey.

#### BACKGROUND

With the growing reliance on automated systems and electronic records, electronic records management (ERM) is a challenge not only for SBA, but also for the entire Federal Government. According to the National Archives and Records Administration, the agency responsible for developing and providing recordkeeping guidance in the Federal Government,

"Electronic records pose the biggest challenge ever to recordkeeping in the Federal Government and elsewhere. How do we identify, manage, preserve, and provide on-going access to e-mail, word-processing documents, and other kinds of electronic records that are proliferating in formats, mushrooming in quantity, and vulnerable to quick deletion, media instability, and system obsolescence? There is

no option to finding answers, however, because the alternative is irretrievable information, unverifiable documentation, diminished government accountability, and lost history.

Federal agencies are required to make and preserve complete and accurate records of their organization, functions, policies, decisions, procedures, and essential transactions to (1) support their current operations, (2) enable review of their actions and (3) promote accountability. Records can exist in a variety of forms, such as paper, film, magnetic tape, and diskette. At SBA, the Office of Administration is primarily responsible for records management, however, every agency employee has some records management responsibility.

ERM involves the creation, maintenance, use, and disposition of computer generated records. ERM requirements and guidance at SBA include

- 36 Code of Federal Regulations (CFR) 1222 - Creation and Maintenance of Federal Records,
- 36 CFR 1228 - Disposition of Federal Records,
- 36 CFR 1234 - Electronic Records Management,
- OMB Circular A-130, Appendix III - Security of Federal Automated Information Resources, and
- SBA Standard Operating Procedure (SOP) 00 41 2 - Records Management Program.

SBA creates, maintains, and relies on a variety of electronic records to conduct its missions and document its activities. These records include approximately 20,000 mainframe computer tapes containing financial and programmatic information, e-mail correspondence, internet files, and on-line notices, policies and procedures.

## METHODOLOGY

We reviewed laws, regulations, policies and procedures related to ERM; interviewed SBA officials and contractor personnel involved in ERM; and distributed questionnaires to 12 SBA program offices in headquarters and 3 district offices.

## SURVEY RESULTS

SBA's had not implemented a comprehensive ERM program. The survey found

- SBA had not developed complete inventories and disposition schedules for its electronic records,
- Program offices were not aware of ERM requirements, and
- ERM guidance was lacking.

Lack of a comprehensive ERM program could result in

- Unavailability of accurate and timely information needed for reliable decision making, operational activities and meeting legal requirements,
- Inefficiencies such as excessive time spent seeking records and costs of maintaining unnecessary or duplicative records, and
- Negative publicity if critical records are lost.

We found that SBA was, however, making progress in this area. During the survey, the Office of Administration and the Chief Information Officer initiated projects to update the Records Management SOP, identify the agency's strategic ERM requirements and evaluate automated ERM systems. Further details on problems noted during the survey follow.

#### Inventories and Disposition Schedules for Electronic Records

SBA had not developed complete inventories and disposition schedules for its electronic records. In order to properly manage electronic records, inventories should be prepared and maintained that include descriptions, media, locations, volumes, inclusive dates, informational content, and use (36 CFR 1228.22). Disposition schedules are needed to ensure efficient, prompt and orderly reduction in the quantity of records and to provide for the proper maintenance of permanent records (36 CFR 1228.10).

SOP 00 41 02 had a listing of SBA's official records and disposition schedules. The SOP did not, however, include electronic records prepared and maintained by eight of the offices responding to the survey questionnaire. In addition, neither the SOP nor an inventory from OCIO have all the information required by 36 CFR 1228.22 for the electronic records that were identified. This occurred, in part, automated information systems were developed without thorough consideration of ERM requirements.

#### ERM Awareness

Some program offices were not aware of ERM requirements. For example, questionnaire responses showed a lack of understanding that (1) electronic records should be included in the schedules listed in the Records Management SOP, and (2) descriptions, retention requirements and disposition schedules for electronic records should be developed and submitted to the Office of Administration. The Office of Administration was working with the SBA program offices to develop comprehensive records disposition schedules.

Other offices, while aware of ERM requirements, expressed a need for (1) inclusion of ERM considerations in systems development projects, (2) assignment of responsibilities, and (3) development of disposition schedules.

### ERM Guidance

Several offices indicated in their questionnaire responses a need for additional guidance, as well as training, in areas such as distinguishing “record” from “non-record” material, storage and retention requirements, responsibilities, and handling of e-mail. The Office of Administration did provide some ERM guidance and training, however, it stated that it did not have funding for an agency-wide electronic records management program to ensure all employees were aware of their ERM responsibilities.

The Records Management SOP described the possible forms of electronic records in stating that “electronic files that may meet the definition of official records include e-mail, voice mail, floppy disks, and fax and Internet transmissions.” It did not, however, give specific examples for determining when such materials are records or not.

### RECOMMENDATION

We recommend that the Associate Deputy Administrator for Management and Administration implement an Electronic Records Management program that meets the requirements of 36 CFR 1222, 36 CFR 1228, and 36 CFR 1234, such as

- Ongoing training for all agency personnel on policies, responsibilities, and techniques for the implementation of recordkeeping requirements and the distinction between record and nonrecord materials, regardless of media, including those materials created by individuals using computers to send or receive electronic mail.
- Preparation of an inventory of electronic records that includes description of medium, location, volume, inclusive dates, informational content and use.
- Development and implementation of disposition schedules for all electronic records created and received by the agency.
- Procedures for the participation of records management officials in developing new or revised agency programs, processes, systems, and procedures in order to ensure that adequate recordkeeping requirements are established and implemented.

### MANAGEMENT RESPONSE

In response to the draft report, the Associate Deputy Administrator for Management & Administration indicated her awareness of the importance of electronic records management.

## Distribution List

Assistant Administrator for Administration  
Chief Financial Officer  
Chief Information Officer  
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