

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

**R**eady  
Access  
to  
Essential Evidence

2006 Performance and Accountability Report

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PART 1

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### A Message from the Archivist of the United States



The National Archives and Records Administration (NARA) is our nation's record keeper. Every day we work to preserve and provide access to the records of our Government, whether those records are the Declaration of Independence, service records of military veterans, or documentation on homeland security issues that will make our country safer.

Throughout the history of our democracy, these records have been first-hand witnesses to the events that have shaped our country. They have documented the rights and entitlements of our citizens, and they have held our Government officials accountable to the people.

NARA's mission is vital to continuity of Government, homeland security, public trust, and national morale.

- We provide legal authority to many of the actions of the President and executive agencies through publication in the *Federal Register*, regardless of weather, terrorist attacks, or other emergency that may close other Federal operations.
- We are leading the Federal Government in developing the new technology that will enable the Government to share electronic information across space and time, reducing the risk that critical intelligence will be lost in obsolete hardware and software.
- We act as First Preservers in times of emergency, assisting Federal, state, and local governments in saving their critical records, especially those that document the rights and entitlements of citizens.
- We serve a broad base of customers through a series of education, outreach, and partnership initiatives, contributing to civic literacy in America.
- We protect the plans, drawings, maps, and photographs of Federal facilities worldwide.
- We preserve and provide access to the military service records of 56 million veterans of our armed forces, ensuring that they and their families receive the benefits they have earned by defending our country.
- We protect and display the founding documents of our country – the Declaration of Independence, the Constitution, and the Bill of Rights – which more than a million people a year come to see because these Charters of Freedom are the heart of the democracy we cherish.

I am pleased to present the National Archives and Records Administration's Performance and Accountability Report for FY 2006, the final year of reporting against

our last ten-year Strategic Plan. Thanks to support from our stakeholders and partners and the efforts of our exceptional staff, we made significant progress on each of the goals of our Strategic Plan and our two material weaknesses. Our Strategic Plan focuses us on five goals – improving records management, meeting electronic records challenges, expanding opportunities for access, meeting storage and preservation needs of growing quantities of records, and strategically managing our resources. Our progress in these areas is detailed throughout this report.

I encourage you to read the report to discover the strides we have made in helping Federal agencies address records management problems, our progress in building an Electronic Records Archives that will serve the entire Federal Government, making it easier for our customers to find and order copies of records, preserving at-risk records for future generations, and much more.

We have also made strides in ensuring that our resources are well managed with the proper oversight. It is my informed judgment that there is reasonable assurance that NARA's management controls are achieving their intended objectives and that the program and financial data contained in this report are valid and reliable. This assessment is based on management control evaluations and other written evaluations conducted in NARA's offices and staff organizations and senior management's knowledge gained from the daily operations of NARA programs and systems. I also have relied upon the advice of NARA's Office of the Inspector General concerning this statement of assurance.

This year, with the help of our staff, colleagues, and stakeholders, we finalized a new Strategic Plan that acknowledges our past achievements, reaffirms the soundness of many of our efforts underway, and points us in some exciting, new directions. While the work ahead is challenging, I am confident that our stakeholders and the public can be proud of their National Archives and Records Administration, which every day is protecting, preserving, and making available the essential documentation of our Government.



Allen Weinstein  
Archivist of the United States

November 15, 2006

## Introduction

This Performance and Accountability Report represents the culmination of the National Archives and Records Administration's (NARA) program and financial management processes, which began with strategic and program planning, continued through the formulation and justification of NARA's budget to the President and Congress and through budget execution, and ended with this report on our program performance and use of the resources entrusted to us. This report was prepared pursuant to the requirements of the Chief Financial Officers Act, as amended by the Reports Consolidation Act of 2000 and mandated by the Accountability of Tax Dollars Act of 2002, and covers activities from October 1, 2005, through September 30, 2006.

## How to Use This Report

This report describes NARA's performance measures, results, and accountability processes for FY 2006. In assessing our progress, we are comparing actual results against targets and goals set in our annual performance plan, which we developed to help us carry out our Strategic Plan. Our complete set of strategic planning and performance reports is available on our web site at <http://www.archives.gov/about/plans-reports/>.

This report has four major parts:

- **Management's Discussion and Analysis**

Look here for our agency-wide performance and use of resources in FY 2006. You also will find information on the strategies we use to achieve our goals and the management challenges and external factors that affected our performance.

- **Performance Section**

Look here for details on our performance by strategic goal and long-range performance target in FY 2006. This section covers our targets, how and why we met or did not meet them, and explanations of how we assess our performance and ensure its reliability.

- **Financial Section**

Look here for details on our finances in FY 2006, our consolidated financial statements and notes, required supplementary information, and the reports from our external auditor and our Inspector General. Also included is information on our internal controls and an explanation of what kind of information each of our financial statements conveys.

- **Appendixes**

Look here for our Inspector General's assessment of our agency's management challenges, our FMFIA report, and an update on prior years' audit recommendations made by Clifton Gunderson, LLP.

## About NARA

The National Archives and Records Administration is our national record keeper. An independent agency created by statute in 1934, NARA safeguards the records of all three branches of the Federal Government. Our job is to ensure ready access to essential evidence, and in doing so we serve a broad spectrum of American society. Genealogists and family historians; veterans and their authorized representatives; academics, scholars, historians, business and occupational researchers; publication and broadcast journalists; Congress, the Courts, the White House, and other public officials; Federal Government agencies and the individuals they serve; state and local government personnel; professional organizations and their members; students and teachers; and the general public – all seek answers from the records we preserve.

### *Our Vision*

The National Archives is a public trust on which our democracy depends. It enables people to inspect for themselves the record of what Government has done. It enables officials and agencies to review their actions and help citizens hold them accountable. It ensures continuing access to essential evidence that documents

- the rights of American citizens,
- the actions of Federal officials, and
- the national experience.

To be effective, we at NARA must determine what evidence is essential for such documentation, ensure that Government creates such evidence, and make it easy for users to access that evidence regardless of where it is, or where they are, for as long as needed. We also must find technologies, techniques, and partners worldwide that can help improve service and hold down costs, and we must help staff members continuously expand their capability to make the changes necessary to realize the vision.

For two years, Elaine Yee and her elderly father, Wing Bok Yee, a Chinese American immigrant, had been unable to obtain proof of citizenship. Bill Greene, a reference archivist in NARA's Pacific Region in San Francisco, provided an official of the U.S. Citizenship and Immigration Service (USCIS) with immigration case file documents from the early 1900s, which verified that the U.S. Government once recognized the father's citizenship. But two years passed, and Yee's father still had not received proof of his citizenship. Greene then put Yee and her father in touch with the USCIS's ombudsman, who got the case transferred to a district director. Within weeks, Wing Bok Yee's citizenship was confirmed. Elaine Yee recently wrote to NARA: "My dad's case is now resolved...Thank you so much. You have made my dad a very happy man."



*Wing Bok Yee displays his Certificate of Citizenship. (Photo by Elaine Yee.)*

### *Our Mission*

NARA ensures, for the Citizen and the Public Servant, for the President and the Congress and the Courts, ready access to essential evidence.



## ***Our Strategic Goals***

NARA's strategic goals are set forth in our Strategic Plan, which we revised in 2003, and covers the period through FY 2006. This revision acknowledged recent achievements, especially in e-Government; assessed new conditions facing us; and committed us to measure our value to the taxpayer by setting aggressive outcome-oriented performance targets.

Our five strategic goals are:

- Essential evidence is created, identified, appropriately scheduled, and managed for as long as needed.
- Electronic records are controlled, preserved, and made accessible for as long as needed.
- Essential evidence is easy to access regardless of where it is or where users are for as long as needed.
- All records are preserved in an appropriate environment for use as long as needed.
- NARA strategically manages and aligns staff, technology, and processes to achieve our mission.

## ***Our Organizational Structure***

We carry out our mission through a national network of archives and records services facilities stretching from Washington, DC, to the West Coast, including Presidential libraries documenting administrations back to Herbert Hoover. Additionally, we publish the *Federal Register* and, administer the Information Security Oversight Office (ISOO). We preserve and make available, in response to hundreds of thousands of requests, the records on which the entitlements of citizens, the credibility of Government, and the accuracy of history depend. More and more people are using our services and gaining access to our records through the Internet, whether by requesting copies of records through our Inquire form at *Archives.gov*, commenting on regulations at the Government-wide site *Regulations.gov*, searching online databases of records and information, or engaging in a host of other activities through *Archives.gov*. We continue to encourage this trend, by adding online services and contributing to several of the President's e-Government initiatives, so that citizens everywhere have access to our vast holdings. The organizational chart in figure 1 provides an overview of NARA's structure.

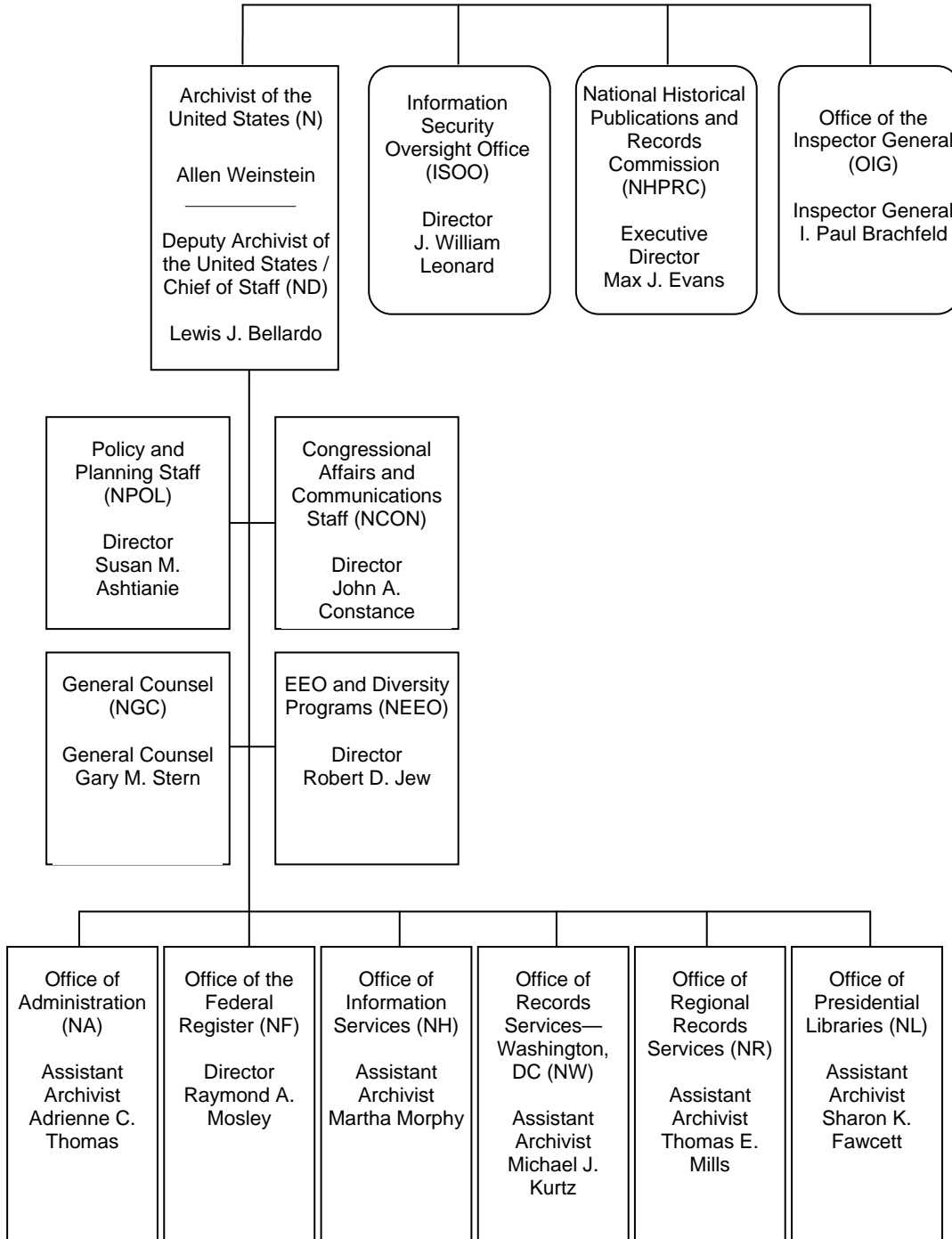



Figure 1. NARA's Organizational Structure

## NARA's Challenges and Management's Actions to Address These Challenges

We at the National Archives and Records Administration (NARA) take our job of serving the public seriously. And never before have we played such an indispensable role in our Government. We are doing this work in the face of multiple challenges that affect the entire Government and our citizens.

- As a Federal agency, NARA must deal with new and evolving concerns about security, continuity of operations, and emergency preparedness. Additionally, continuity of Federal operations depends on the records of government. Protecting, recovering, and making these records available will require new, more flexible solutions.
- The dramatic emergence of an electronic Government has brought to the fore new records management issues that have implications far beyond our Government. Inspired by the challenges of electronic records, NARA is transforming itself from an agency that manages predominantly paper to a leader in electronic records management.
- Deterioration of both the holdings that NARA must keep for posterity and the facilities in which they are housed is a fact of life. We must address with a steady hand the never-ending challenge of maintaining and preserving our holdings—paper, electronic, special media and artifacts—and our infrastructure—both physical facilities and information technology.

Our mission is to ensure that Government officials and the American public have ready access to essential evidence, and this mission puts us at the very heart of intergovernmental electronic communication challenges. After providing the 9/11 Commission with thousands of documents crucial to their work, we now maintain the Commission's web site and are processing all of the Commission's records for use by Government officials and eventually the public.

	<p>Wendy Hollingsworth of the National Personnel Records Center (NPRC) in St. Louis was approached by an Air Force retiree, Stanley Seymour, at a VFW national convention. He told her his medical file had somehow gotten lost, and he needed it now to seek disability benefits for a hearing loss and back and knee injuries incurred in service. He had seen it at his hospital, but officials there said they returned it to NPRC. Hollingsworth, a 34-year NARA employee, suspected it had been mistakenly included among any one of several shipments of other kinds of medical records that the same hospital had sent to the Center. Eventually, she found it. Later, Seymour called to thank her because he was awarded a 40-percent disability compensation from the Department of Veterans Affairs.</p>
<p><i>Wendy Hollingsworth and Air Force veteran Stanley Seymour. (Photo by David Hollingsworth)</i></p>	

In response to requests for documents related to Supreme Court Justice nominees John Roberts and Samuel Alito, we provided both public and congressional access to tens of thousands of documents from our holdings. By digitizing key documents and making them available online, we ensured the broadest possible access to these materials.

Whether publishing the *Federal Register*, protecting the vital records assets of Federal agencies nationwide, serving America's veterans, meeting the challenges of electronic records, or displaying our nation's Charters of Freedom – the Declaration of Independence, the Constitution, and the Bill of Rights – to inspire the American public, NARA plays a critical role in keeping America safe, secure, and focused on our democratic ideals.

The following are just a few examples of the ways in which the Government and the public are relying on NARA to meet vital needs.

- The *Federal Register* must be published each business day, regardless of weather, terrorist attacks, or other emergencies that may close other Federal operations. Publication, even during emergencies, is critical because many of the actions that Executive departments and the President need to take require the legal authority that comes from publication in the *Federal Register*.
- NARA responds to more than one million requests a year for information from or copies of Official Military Personnel Files (OMPFs). Many of these requests come from veterans, their families, or organizations working on behalf of veterans to verify their military service, apply for benefits, or research medical conditions. A veteran's ability to obtain a job, housing, or medical care often depends on our ability to meet their information needs quickly.
- NARA protects the essential records of hundreds of Federal agencies and courts as well as the records of the Congress, the Supreme Court, and 13 Presidential administrations in 36 facilities nationwide. These records include everything from highly classified National Security Council policy memorandums to congressional committee records to architectural drawings of Federal facilities to satellite photographs of major cities to the tax returns of individual Americans. All of this information and more is saved for as long as needed because it is essential for the effective operations of our government, protecting the rights and entitlements of our citizens, understanding past decisions and informing future policy choices, holding appropriate officials accountable for their actions, and ensuring the safety and security of our country.
- Our greatest challenge is to ensure that valuable electronic records – from electronic OMPFs to geographic information systems to State Department cable files to transportation security databases – are managed and preserved *over time* so that key information is not lost in obsolescent hardware and software and continues to be available to meet the needs of the Government and the public. To meet this challenge, NARA is developing the Electronic Records Archives (ERA), a revolutionary system that will capture electronic information, regardless of its format, save it permanently, and make it accessible on whatever hardware or software is currently in use.

Let us turn to the specific challenges NARA faces:

***Records Management, and specifically Electronic Records Management.*** In this world of exponentially increasing volumes and formats of electronic records, having the ability to find, manage, use, share, and dispose of records – which is the essence of records management – is vital for the efficient and effective functioning of the Federal Government. Records management is an essential component of knowledge management, and yet records and information are rarely managed as agency business assets and records management remains marginalized in many agencies. This undermines the authenticity, reliability, integrity, and usability of Federal records and information essential for Government business, particularly electronic Government and public use.

This Government-wide challenge requires collaborative, creative solutions with benefits that are obvious to Federal agencies. That is why we are undertaking a multi-pronged approach to improving Federal records management through a suite of strategies, policies, standards, and tools that facilitate the effective and efficient management of Federal records. (Our progress in implementing these strategies is described on page 91.) Ultimately, records management should become so seamlessly integrated into agencies' business processes that it becomes "second nature"; and the information is easy to find and in a usable form. Getting to this outcome requires that we both transform our own records management program and records management across the Government.

- Strategic Directions for Federal Records Management – a series of coordinated strategies to transform NARA's approach to Federal records management.
- E-Government Initiatives – these include the ongoing Electronic Records Management E-Government Initiative and initiatives to implement the Interagency Committee on Government Information (ICGI) recommendations for section 207(e) of the E-Government Act of 2002.
- Electronic Records Archives (ERA) – the key tool that will allow NARA and Federal agencies to manage, preserve, and have access to electronic records over space and time.

***Information Technology.*** The pace of technological change and innovation challenges the entire Federal Government. At the same time these changes offer wide-ranging opportunities for improved information management. Information technology – particularly the World Wide Web – has become integral to providing government services and moving the Federal Government's immense stores of information and services out of the "back office," onto the Internet, and into the home and business sectors. As a result, customer expectations have mounted for more new and expanded online services. Our Strategic Plan acknowledges that we must be equipped to meet these changing needs and expectations. As NARA moves to fully embrace e-Government and seize new technological opportunities, we must be able to quickly adapt to new technologies and leverage technical expertise to meet expectations for quality service.

We have three immediate areas of focus in meeting this larger challenge:

- **IT security:** This challenge, shared by all Federal agencies, is constantly evolving, particularly as the demand for electronic services increases and more business is transacted over the Internet. We continue to work to strengthen and protect our infrastructure against viruses and unauthorized intrusions.
- **Strengthening our IT infrastructure:** We will continue to make strategic investment decisions to ensure that our IT infrastructure evolves to support the changing IT environment. This environment must support NARA’s business and ever-increasing customer needs.
- **ERA deployment:** The design, development, and implementation of a system that will aid in the Federal Government’s ability to manage, preserve, and access its electronic records well into the future is a major challenge for NARA. Proper oversight and use of industry and government best practices are key to our ability to deploy a usable ERA in a timely and cost effective manner.

**Records Access.** Central to NARA’s mission is our ability to provide the records of the Federal Government to the citizens, to whom the records belong. A major challenge to successfully accomplishing this goal is the sheer volume of unprocessed materials – both classified and unclassified – that awaits our attention. This problem is not unique to NARA, but exists at archival institutions around the world. While archival materials continue to grow, the resources and tools devoted to processing these materials have not kept pace due to competing priorities. We are studying the scope of this situation and looking for ways to streamline and speed our processing methods, while at the same time examining more effective ways to apply the resources needed to meet this challenge.

Declassification review is an integral part of the processing NARA must do for the classified records it holds. Federal agencies have a deadline of December 31, 2009, to review and resolve (by declassifying or exempting) their equities in security-classified documents more than 25 years old that have been referred to them by other agencies. We estimate that there are approximately 80 million pages in NARA’s holdings that must be acted on by the agencies before the 2009 deadline. Many of these documents must be reviewed by two or more agencies. Our challenge is to make these documents available to the agencies in a systematic fashion to enable them to accomplish their missions, permanently protect valuable Federal records, and prevent unauthorized releases of still sensitive information. We are re-engineering NARA’s internal processes to make them as effective as possible against this looming deadline.

Finally, classified records in our Presidential libraries pose a huge challenge for us because they are often extremely sensitive, filled with multiple equities, and highly sought

**NARA Holdings Summary**  
FY 2006

	<b>Artifacts (in items)</b>	<b>Traditional Holdings (in cu. ft.)</b>	<b>Electronic Holdings (in LDR*)</b>
Washington, DC, Area Archives	1,488	2,369,575	10,511,709,254
Regional Archives	20	684,569	0
Records Centers	0	25,138,683	0
Presidential Libraries	542,056	232,835	35,308,040
Affiliated Archives	0	12,425	0
<b>TOTAL</b>	<b>543,564</b>	<b>28,438,087</b>	<b>10,547,017,294</b>

\*LDR=Logical Data Records

after by Government officials and the public. The Reagan Library holds the next Presidential collection to which the Executive Order must be applied and has textual classified holdings of approximately eight million pages. This represents more classified pages than all of the previous libraries combined. Previously, we implemented the Remote Archives Capture (RAC) Project, a collaborative program with the CIA and other classifying agencies through which classified Presidential materials at field locations are electronically scanned and sent to Washington for review by equity-holding agencies. So far this project has scanned nearly three million pages from the Truman, Eisenhower, Kennedy, Johnson, Nixon, Ford, and Carter Libraries, but the dramatic increase in volume of classified records from the Reagan administration presents significant challenges to our ability to comply with the Executive Order.

**Facilities.** Our 36 facilities are our first line of defense for records preservation. Providing appropriate physical and environmental storage conditions is the most cost-effective means to ensure records preservation. Yet operating costs—rent, guards, and utilities—have skyrocketed in recent years and show no signs of abatement. We face an ongoing challenge to ensure that all of our facilities meet necessary standards for the storage of Federal, and particularly archival, records. We also must ensure that other entities that store Federal records comply with existing facility standards. Our Strategic Plan includes several strategies for meeting our goal to preserve all records in an appropriate environment for use as long as needed. Our ability to meet our storage and preservation challenges will be a key factor in the future course of our agency.

**Security.** We store more than 28 million cubic feet of Federal records and Presidential materials in our nationwide facilities, and we have the vital responsibility to protect these records, the staff who care for them, and the public who visit our facilities to use them. To do this, we must be able to face multiple types of threats and we must plan for emergencies that could leave our facilities vulnerable or require us to provide shelter for staff and the public.

Currently, NARA has a material weakness in collections security. We are responsible for the security of billions of records, and we do not have item-level control over our holdings—nor can we ever expect to. Because these records belong to the American people, however, they cannot simply be locked away in inaccessible vaults. We have three primary challenges in this area:

- We must provide quality services to our customers while instituting reasonable internal controls to prevent theft. We must also maintain documentation to support the recovery of missing holdings and subsequent prosecution of those who would steal records that belong to all Americans. We must provide these services in the face of fewer resources for security.
- We must take every reasonable measure possible to limit access to sensitive records and act quickly to coordinate recovery efforts with appropriate law enforcement as needed.
- We must protect and safeguard our facilities, the staff who work in our facilities, and the people who visit our facilities to mitigate the potential for damage and destruction through both natural and deliberately precipitated acts.

Having an effective security posture requires that we take a big picture, holistic view of all our facilities and holdings. We are making strong gains in the comprehensive plan to address our security weaknesses that we discussed in our Performance and Accountability Report last year.

**Civic Literacy.** Throughout America's history, each generation develops the basic ideas and values of their Government, society, culture, and the way they interpret history. This generational development of civic literacy is an important characteristic of how democracy evolves, shaping our society for the future. NARA plays a unique and important role in this evolution. We safeguard the facts of history. Access to these holdings is the right of all Americans. Yet the volume and value of this information is not always apparent to the public. We see it as an essential mission of this agency to make the public aware of the materials we hold for them and to educate them about how to use these primary sources, a proven tool for advancing civic literacy. Through the power of the Internet, learning experiences through exhibits, programs, and events, as well as an initiative to bring learning materials to the classroom, NARA is working to promote civic literacy. And we are assisted by partners and volunteers who are key to this advocacy.

**Preservation.** As noted earlier, our storage facilities are our first line of defense for preservation of our holdings and are the most cost-effective way to preserve records. However, we face challenges in preservation that storage alone will not solve. Over the last ten years, NARA's electronic holdings have grown 100 times faster than traditional paper records. These records are created in a wide variety of formats—email, databases, audio files, web pages, digital images, satellite imagery—and many more. And they are increasingly complex; for example, e-mails have attachments and web pages are made up of many files and documents embedded in them. Our goal with the Electronic Records Archives is to preserve these records, ensuring their authenticity, and make them available far into the future.

Recent agency-wide assessments of our textual and non-textual holdings indicate a significant backlog of preservation work required to ensure that the records will be available for future generations. At this time, 70 percent of the holdings—more than two million cubic feet of records—need one or more kinds of preservation. The backlog will require many decades to be addressed. We are prioritizing preservation work to address the most urgent needs first and have improved our internal controls so we have better visibility into the problem.

Another preservation challenge we face is that the marketplace is forcing the use of digital technology through the discontinuation of analog materials, supplies, and equipment. More than 16 million items in NARA's holdings are in analog formats, which we reformat periodically to preserve the original records and make copies for access. The transition from analog to digital has already taken place for audio recordings and other tapes using a magnetic signal. Major photographic manufacturers are reducing or eliminating traditional analog product lines for business reasons. Within five years, few, if any, of the photographic and other analog products will be available for reformatting original records. NARA needs to make the transition from analog to digital processes over the next several years. Rather than seeing this as another hurdle, we are viewing this as an opportunity to partner with the private sector in helping us to not only



tackle the reformatting challenge, but to go the next step and make many of these holdings available via the Internet.

*Staff.* The Federal Government is looking to NARA, as the nation's record keeper, to deliver these creative, entrepreneurial solutions. We must respond to this call for leadership if we want to actively deliver value and innovation rather than simply react to the changes taking place around us. To do this, we must ensure that our staff has the skills and competencies needed to provide leadership in records services in the 21st century, and we must ensure that the systems and processes we use to acquire and manage our staff are efficient, streamlined, flexible, and appropriate for today's modern workforce.

Our Strategic Plan commits us to hiring, developing, sustaining, and retaining staff according to the competencies needed to achieve our strategic goals. In addition, the President's Management Agenda and Human Capital Assessment and Accountability Framework instruct agencies to engage in serious consideration of the skills and competencies needed to perform the work of the Government in the 21st century, to align human resources to support mission-critical activities, and to streamline and enhance delivery of essential human resources services by leveraging technology and other process flexibilities.

Our future success as the Government's leader for records services will depend in large part on the staff that we hire today. We must ensure that we have the right people in the right positions at the right time to move the agency forward at this extraordinary time in our history.

Finally, we are committed to working with our Inspector General (IG) to identify and address significant challenges. The Inspector General's Top 10 Management Challenges, which are highlighted in the IG's semiannual reports to Congress and include the audits, investigations, and reviews they have undertaken to identify and address them, are included in the full version of this report at [www.archives.gov/about/plans-reports/performance-accountability/](http://www.archives.gov/about/plans-reports/performance-accountability/).

For more than 20 years, Wesley Shoop has been searching for the remains of his uncle, Machinist Mate William George Jamison, killed in action in the Philippines in 1942. This year, with the help of archivist Barry Zerby of NARA's Modern Military Records Section, Shoop found the captain's log from Jamison's ship. It described how Jamison was hit, how he died, and where he was buried. The diary's discovery has persuaded the Navy to reopen the search for Jamison's remains on the Philippine island of Caballo. "My uncle was killed in action early in the war and has laid by himself on the island," Shoop said. "His family never knew where he was and he was never visited. With a little more effort, we will change that."



*Machinist Mate William George Jamison. (Photo courtesy of Wesley Shoop)*

## Performance Highlights

### *Spotlight on the Electronic Records Archives*

As the nation's record keeper, the National Archives and Records Administration (NARA) safeguards and preserves the records of our Government, ensuring that the people can discover, use, and learn from this documentary heritage. We ensure continuing access to the essential documentation of the rights of American citizens and the actions of their Government.

In the past, NARA primarily dealt with paper records, but over the past 10 years our electronic records holdings have grown 100 times faster than holdings of traditional paper records. In the next three years, an unprecedented volume of historically important



*NARA's current, fully accessioned electronic records are stored on tapes on shelves (above).*

*Below, a grid brick is a disk-based storage and management device made from commercially available components. ERA Research Staff are testing these grid bricks as a component of the ERA Research Prototype Persistent Archives. The VCR-sized grid brick has the capacity to store all of the records stored on the tapes on the shelves above. The grid brick technology won the Internet2 IDEA Award in June 2006.*



electronic records will be ready for transfer to NARA, including an exponential increase in electronic Presidential and Vice Presidential records of the George W. Bush Administration.

Electronic records pose a technological challenge that is historic in scope. NARA must find a way to preserve, find, manage, and use electronic records and make them available far into the future, as this ability is vital for the effective functioning of our democracy and the preservation of our nation's history.

Benefiting from partnerships with world class institutions in both the private and public sectors, NARA has spent a decade conducting research and developing a comprehensive strategy for handling the electronic records of the Federal Government. This investment laid the groundwork for the Electronic Records Archives (ERA)—the backbone of the archives of the future.

ERA is NARA's leading edge project to build a comprehensive and dynamic system that preserves and provides continuing access to authentic electronic records over time, independent of hardware and software. ERA is creating

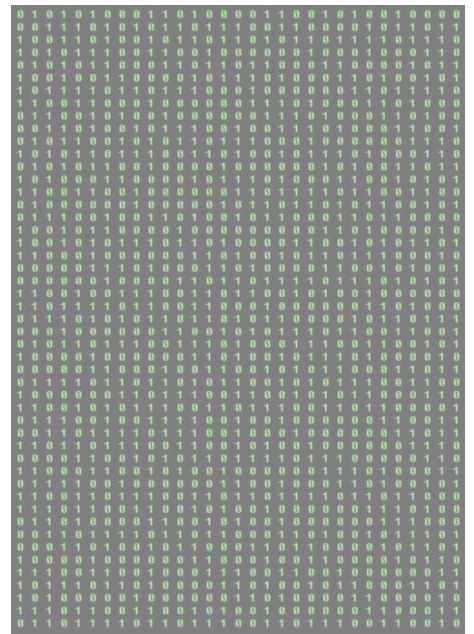
the link that connects the public and Government officials to the nation's vital electronic records, thus ensuring continuing access to this essential information.

NARA has made important progress in the development of ERA in FY 2006. In September 2005, after a year-long design competition, NARA awarded the contract to build ERA to Lockheed Martin, who then began a two-year design phase. The development of the first increment of the ERA system is now well underway, and will be deployed for use by NARA staff and selected Federal agencies in two stages.

Before either of these deployments, Lockheed Martin will deliver to NARA an initial version of the ERA system that will enable NARA to test the hardware and software on which all business processes related to electronic records will run. Early installation and testing of the infrastructure will ensure basic capacity and operability of the system before NARA staff depends on it in their work.

The first operational deployment of ERA will be in September 2007, and will support a number of business processes related to the transfer, ingest, and storage of both electronic and non-electronic records and to the life cycle management of transferred records. In April 2008, the system will be fully functional in regards to these processes.

To prepare for ERA deployment, NARA is currently working with four Federal agencies to test procedures to ensure the smoothest possible transition to ERA. The first four agencies to submit electronic records to NARA through ERA are the National Nuclear Security Agency, the Bureau of Labor Statistics, the U.S. Patent and Trademark Office and the Naval Oceanographic Office. These four agencies were carefully selected based on factors including a demonstrated motivation on the part of the agency to schedule electronic records, a good internal training program, and experience with managing change successfully. The contributions and feedback of these participants will make a significant difference for other agencies as they begin submitting electronic records through ERA in the future.



*An excerpt from the Declaration of Independence in binary code, which is used by computers.*

Other important milestones during FY 2006 included successful preliminary design reviews in November and February and critical design reviews over the summer. The final critical design review of the proposed system was completed in September. During these reviews, NARA staff and stakeholders examined the system design in detail to ensure that it met specific criteria and requirements.

Collaboration with a variety of partners has been key to the advancement of the ERA program since its beginning. In June 2006, NARA and one of our first ERA partners, the San Diego Supercomputer Center (SDSC) signed a landmark Memorandum of Understanding that provides an avenue for preserving valuable digital data collections. This agreement marks the first time NARA has established an affiliated relationship for preserving digital data with an academic institution, and it will enable research and education, support national security and emergency preparedness, and catalyze continuing technology research and innovation.

Just as electronic records have forever changed the way the Government does business, the ERA system will change how NARA cares for Government records and how the public gains access to our holdings. Today we have access to records from decades and centuries ago that tell the stories of our nation and its people. We have these records because actions were taken and decisions made that allowed these pieces of history to be preserved and made available years later. Decades and centuries from now, people will look to ERA and those who created, developed, implemented, and refined it as the fundamental reason the early electronic records of America are safe, authentic, and accessible.

*To find out more . . .*

- About the Electronic Records Archives, visit <http://www.archives.gov/era>.

## Spotlight on Partnerships in Education

### *Redefining Access, Reaching a National Audience*

In FY 2006, the National Archives made progress towards a vision of access that embraces our role in service to the general public. While fulfilling our important function in meeting the needs of government officials, professional researchers and those seeking specific rights under the law, we have also made major advances in addressing the needs of average Americans who look to the National Archives as a resource for education, inspiration, and civic engagement. By partnering with others to increase our public programs and shifting the focus of many of them from local to national, we are bringing our holdings to more people than ever before.



Our efforts began with the 13 museums (12 Presidential libraries across the nation and the National Archives Experience in Washington, DC) that are part of NARA. In FY 2006 these museums hosted more than two million visitors in person and millions more on the worldwide web.

In April, in partnership with the Foundation for the National Archives,

NARA opened the ReSource Room of the Learning Center at the National Archives Building. This space was designed to accomplish two main objectives – to provide educators and parents with methods and materials for using primary sources as teaching tools; and, to provide members of the general public with engaging activities that introduce them to the holdings of the National Archives and encourage further research. The ReSource Room is a materials headquarters where visitors can make copies of facsimiles and exercises, learn more about what the National Archives has to offer, and exchange ideas with others. The second phase of the Learning Center is scheduled to open in the spring of 2007. It will be a Learning Lab geared to middle school students featuring an immersive environment that is linked to pre-visit and post-visit in-class activities related to the U.S. Constitution.

New exhibits, created out of public-private partnerships, like the Air Force One Pavilion at the Reagan Library and the “Eyewitness: American Originals” exhibit in Washington, DC, not only attracted huge crowds to our facilities but also built new awareness through extensive media coverage. Success in these endeavors led us to a new partnership this year with the National Park Service aimed at creating our first permanent exhibit outside of the NARA museums, at the Federal Hall Memorial in New York City.



In addition to these opportunities for informal learning, we continued our outreach to the formal educational community. We helped to develop a cadre of teachers trained to make effective use of primary sources in the classroom. In FY 2006, our much acclaimed “Primarily Teaching” program was expanded from its single venue in Washington, DC, to reach audiences at the Eisenhower Presidential Library and the regional archives in Laguna Niguel. NARA facilities across the country played important roles in facilitating programs and many sites took a more active role in National History Day. Over the course of FY 2006, the Presidential library system prepared its first system-wide teaching tool on the web, the “Presidential Timeline.” Using a single web interface, the Timeline provides guided educational activities that incorporated digitized copies of materials from all the Libraries.

NARA has also used videoconferencing technology to reach more educators and students. In FY 2006, education specialists in Washington, DC, conducted dozens of workshops for hundreds of participants on topics ranging from “Teaching with Documents,” to “The Constitution,” to “Researching the Cold War Using NARA’s Online Resources.”

Finally, NARA made extensive use of its presence in 20 states to fulfill the educational needs of lifelong learners through programs, symposia, and public events rooted in the holdings of the agency. The Archivist of the United States’ new “American Conversation” series brought some of the most thoughtful people about American civic life to our McGowan Theater stage in Washington. Guests included John Hope Franklin, Ken Burns, Lynne Cheney, and Cokie Roberts, among others. The Kennedy Library hosted a symposium on “Vietnam and the Presidency” that for the first time brought together scholars and participants across multiple administrations. The Ford Library organized a program in DC that provided both a thoughtful review of the challenges of Ford’s presidency and a moving tribute to the former president. In every regional archives as well, workshops and public programs made the National Archives truly accessible, not just to those who know what we hold, but also to the myriads for whom we hold the promise of discovery.

By providing opportunities for learning for people of all ages, NARA gives the public the chance to see for themselves the wealth of information available in our holdings. To shape and influence the future, our citizens must understand the past, and we are committed to providing the tools and access to records to foster this understanding.



*In June, NARA’s Northeast Region (New York) hosted a student workshop that turned second graders into genealogy sleuths. Here, two students search NARA records for information about their teacher’s father, who entered the United States through Seattle, served in the Army during World War II, and became a real estate developer in New York. (Photo by Jennifer Elliot.)*

To find out more . . .

- *The Digital Classroom*, the National Archives gateway for resources about primary sources as well as activities and training for educators and students, can be accessed at [www.archives.gov/education/](http://www.archives.gov/education/).
- Explore *Our Documents*, 100 milestone documents of American history, at [www.ourdocuments.gov/](http://www.ourdocuments.gov/).
- For links to education-related pages hosted by the Presidential libraries, visit [www.archives.gov/education/presidential-libraries.html](http://www.archives.gov/education/presidential-libraries.html).
- For links to education resources available in the regional archives, go to [www.archives.gov/education/regional-resources.html](http://www.archives.gov/education/regional-resources.html).
- For information on the Truman Library's White House Decision Center, go to [www.trumanlibrary.org/whdc/](http://www.trumanlibrary.org/whdc/).
- For information on the National History Day event in Philadelphia coordinated by the Mid Atlantic Region, go to [www.archives.gov/midatlantic/education/nhd](http://www.archives.gov/midatlantic/education/nhd).

## Spotlight on First Preservers

When Hurricanes Katrina and Rita struck the states of Louisiana, Texas, and Mississippi in 2005, millions of people lost loved ones, homes, jobs, and possessions. The daunting task of rebuilding their lives was made even more difficult by the fact that many individuals lost their identities as well. Vital records such as birth certificates, property deeds, and personal papers, as well as records that document rights and entitlements such as Social Security and veteran's benefits were all in the paths of the hurricanes.

These kinds of records are crucial to the recovery and rebuilding process for individuals, families, communities, and institutions. Not only had so many people lost their way of life, they could not even prove their own identity.

Also at risk were records that document routine operation of the Federal Government—the actions of regional offices of departments and agencies and Federal Courts in those areas. NARA, working with state and local archives, stepped in to help assess, recover, and preserve vital records. These are some of NARA's accomplishments:

At the Federal Register, editors stopped the presses to publish an important Treasury Department rule authorizing checks for hurricane victims without requiring identification. This action was important because the rule would not go into effect until it was published in the *Federal Register*.



*Outside the Orleans Parish Coroner's Office, Hilary Kaplan (left), a NARA conservator, watches as John Smith (right) of NARA's Southwest Region (Fort Worth) adjusts his personal protective gear. The two are preparing to enter and examine areas that were affected by mold. (Photo by Kathy Ludwig)*

NARA staff members worked with Federal agencies and our partners in state and local government to begin to identify and recover records.

NARA conservators held training sessions and workshops for Federal and state officials and others dealing with damaged or contaminated documents.

At FEMA's request, NARA conservators assisted in rescuing the records from the offices of officials in Orleans Parish, LA, where flood waters had risen up to seven feet. NARA supervised the transfer of these very wet records to freezer trucks, which were then taken to a facility in New York State. Once they were dry, the records were evaluated and returned to Orleans Parish. Some recovery of information on water-damaged computer hard drives was also possible.

The National Personnel Records Center in St. Louis expedited hurricane-related requests from



veterans and retired civil servants who needed documents from their personnel files so they could re-establish their identities to qualify for government benefits.

A special section on NARA's web site, *Archives.gov*, listed agency contacts and provided links to information on records recovery and preservation for federal agencies and courts, state and local governments, cultural institutions, and the general public.

NARA worked closely with the appropriate Federal authorities to secure representation on teams that evaluate damaged buildings to determine the nature of records damage and the type of assistance needed.

Emergency grants of up to \$25,000 from the National Historical Publications and Records Commission (NHPRC) were authorized for the state archives in Texas, Louisiana, and Mississippi for disaster assessment and response activities.

In today's world, planning for a disaster you hope will never occur is not something that can be put off until tomorrow. Disaster preparedness is now a vital part of any business, and NARA has prepared to do its part as the steward of records that document our rights and entitlements and define us as individuals and as a nation.

*To find out more . . .*

- To read the Archivist's comments on Disaster Preparedness and Recovery, visit <http://www.archives.gov/about/speeches/2006/08-05a-06.html>.
- To read about NARA's role as First Preserver after Hurricane Katrina, visit <http://www.archives.gov/publications/prologue/2006/spring/first-preserver.html>.

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**Using the National Archives and Records Administration**  
**FY 2006**

	Researchers Microfilm	Researchers Other Records	Written Requests	Public Program Attendees	Museum Visitors
<b>Washington, DC, Area</b>	<b>14,312</b>	<b>45,631</b>	<b>35,372</b>	<b>1,834</b>	<b>1,003,730</b>
<b>Office of Regional Records Services</b>					
Northeast Region (Boston)	9,131	1,006	2,840	1,109	—
Northeast Region (Pittsfield)	2,530	—	864	356	—
Northeast Region (New York)	7,656	2,420	5,897	821	—
Mid Atlantic Region (Philadelphia)	6,608	475	1,263	638	—
Southeast Region (Atlanta)	5,177	821	2,295	346	—
Great Lakes Region (Chicago)	2,443	542	3,721	377	—
Great Lakes Region (Dayton)	—	—	—	229	—
Central Plains Region (Kansas City)	2,075	635	3,176	148	—
Southwest Region (Fort Worth)	3,649	906	2,833	1,579	—
Rocky Mountain Region (Denver)	2,843	665	369	353	—
Pacific Region (Laguna Niguel)	3,411	701	1,995	466	—
Pacific Region (San Bruno)	2,941	1,692	2,711	532	—
Pacific Region (Anchorage)	1,410	529	395	16	—
Pacific Alaska Region (Seattle)	3,302	1,020	1,638	732	—
National Personnel Records Center	5	109	1,110,627	—	—
<b>Regional Records Services Total</b>	<b>53,181</b>	<b>11,521</b>	<b>1,140,624</b>	<b>7,702</b>	<b>—</b>
<b>Presidential Libraries</b>					
Hoover	—	495	1,241	26,660	50,077
Roosevelt	—	1,389	2,548	10,306	108,589
Truman	—	1,013	2,601	17,446	135,316
Eisenhower	—	1,343	3,325	9,796	69,248
Kennedy	—	1,227	2,052	25,654	191,986
Johnson	—	1,361	2,635	16,951	210,473
Nixon	—	—	1,833	100	—
Ford	—	1,270	2,388	8,775	58,784
Carter	—	571	853	8,954	62,223
Reagan	—	562	675	20,515	440,301
Bush	—	361	1,156	33,020	140,674
Clinton	—	228	2,946	23,866	302,151
<b>Presidential Libraries Total</b>	<b>—</b>	<b>9,820</b>	<b>24,253</b>	<b>202,043</b>	<b>1,769,822</b>
<i>Archives.gov</i>	—	—	—	—	—
<b>TOTAL</b>	<b>67,493</b>	<b>66,972</b>	<b>1,200,249</b>	<b>388,304</b>	<b>2,773,552</b>

**Personnel on Board\***

All funds as of September 30, 2006	Washington, DC, Area			Field Locations			Nationwide Total		
	Full – Time Perm	Other	Total	Full – Time Perm	Other	Total	Full – Time Perm	Other	Total
Records Services	843	124	967	0	0	0	843	124	967
Regional Records Services	76	7	83	1,008	301	1,309	1,084	308	1,392
Presidential Libraries	130	5	135	284	80	364	414	85	499
Information Security Oversight Office	26	0	26	0	0	0	26	0	26
Federal Register	74	1	75	0	0	0	74	1	75
National Historical Publications and Records Commission	13	0	13	0	0	0	13	0	13
Electronic Records Archives	35	7	42	0	0	0	35	7	42
<b>Total</b>	<b>1,197</b>	<b>144</b>	<b>1,341</b>	<b>1,292</b>	<b>381</b>	<b>1,673</b>	<b>2,489</b>	<b>525</b>	<b>3,014</b>

\* Admin Staff distributed across Program Offices

## Performance Overview

We break down our strategic goals into long-range performance targets and set annual targets in our Annual Performance Plan each year. The following chart provides a synopsis of our FY 2006 performance. Details of some of this year's major accomplishments under each strategic goal follow the chart.

### Snapshot of 2006 Performance

<b>Strategic Goal 1: Essential Evidence Is Created, Identified, Appropriately Scheduled, and Managed for as Long as Needed.</b>						
1.1: By 2008, 95% of agencies view their records management program as a positive tool for asset and risk management.						
1.2: By 2008, 95% of approved capital asset plans have approved records schedules by the time those systems begin creating records.						
1.3: By 2008, 95% of customers are satisfied with NARA scheduling and appraisal services.						
Performance Indicator	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Target	2006 Actual
Annual percent of targeted assistance partnership agreements delivering the results promised.	100	100	100	100	99	100
Median time for records schedule items completed (in calendar days).	470	155	253	372	180	334
Percent of Federal agencies satisfied with NARA scheduling and appraisal services.	—	—	—	57	63	78
<b>Strategic Goal 2: Electronic Records Are Controlled, Preserved, and Made Accessible for as Long as Needed.</b>						
2.1: By 2008, NARA's Records Center Program accepts and services electronic records.						
2.2: By 2008, 80% of scheduled archival electronic records are accessioned by NARA at the scheduled time.						
2.3: By 2008, 80% of archival electronic records are managed at the appropriate level of service.						
2.4: By 2008, the median time from the transfer of archival electronic records to NARA until they are available for access is 35 days or less.						
2.5: By 2008, the per megabyte cost for managing archival electronic records through the Electronic Records Archives decreases each year.						
Performance Indicator	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Target	2006 Actual
Percent increase in number of archival electronic holdings accessible online.	—	—	51	20	20	13
Median time from the transfer of archival electronic records to NARA until they are available for access (in calendar days).	—	450	736	413	250	259
Percent of NARA's electronic holdings stabilized in preparation for their transfer to the Electronic Records Archives.	98	97	93	99.7	80	96
<b>Strategic Goal 3: Essential Evidence Is Easy to Access Regardless of Where It Is or Where Users Are for as Long as Needed.</b>						
3.1: By 2007, access to records and services and customer satisfaction levels meet or exceed NARA's published standards.						
3.2: By 2007, 70% of NARA services are available online.						
3.3: By 2008, 80% of NARA archival holdings are described in an online catalog.						
3.4: By 2007, Government-wide holdings of 25-year-old or older records are declassified, properly exempted, or appropriately referred under the provisions of Executive Order 12958, as amended, through a series of ISOO-led interagency efforts.						
3.5: By 2007, NARA archival holdings of 25-year-old or older records are declassified, properly exempted, or appropriately referred under the provisions of Executive Order 12958, as amended.						
3.6: By 2007, 10% of records of a two-term President or 15% of records for a one-term President are open and available for research at the end of the five-year post-Presidential period specified in the Presidential Records Act.						
3.7: By 2007, 90% of all National Historical Publications and Records Commission-assisted projects produce results promised in approved grant applications.						

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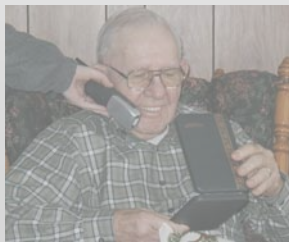
<b>Performance Indicator</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Target</b>	<b>2006 Actual</b>
Percent of written requests answered within 10 working days.	93	94	95	96	95	97
Percent of Freedom of Information Act requests for Federal records completed within 20 working days.	76	61	65	80	90	87
Percent of requests for military service separation records at the National Personnel Records Center in St. Louis answered within 10 working days.	40	37	75	88	95	91
Percent of items requested in our research rooms furnished within one hour of request or scheduled pull time.	94	96	98	98	95	96
Percent of customers with appointments for whom records are waiting at the appointed time.	99.8	99.9	99.3	99.4	99	99.75
Percent of Federal agency reference requests in Federal records centers that are ready when promised to the customer.	92	94	96	97	95	99.75
Percent of records center shipments to Federal agencies that are the records they requested.	99.99	99.99	99.99	99.99	99	97.61
Percent of archival fixed-fee reproduction orders that are completed in 35 working days or less.	88	99	99.9	97.2	85	96.8
Percent of education programs, workshops, and training courses meeting attendees' expectations.	96	95	99	99	95	99
Percent of NARA services available online.	25	30	40	50	60	52
Percent of traditional holdings in an online catalog.	19	20	33	42	50	51
Percent of artifact holdings in an online catalog.	19	17	40	43	50	57
Percent of electronic holdings in an online catalog.	0.02	0.02	10	31	20	43
Annual number of Presidential pages scanned (in thousands).	332	470	500	563	500	506
Cumulative percent of Clinton Presidential and Vice Presidential traditional holdings processed for opening January 20, 2006.	1	1	2	3	4	3
Percent of NHPRC grant-funded projects that produced results promised in grant applications.	79	86	88	85	88	88
Percent backlog of Official Military Personnel Folders ever treated	—	—	—	—	30	41
<b>Strategic Goal 4: All Records Are Preserved in an Appropriate Environment for Use as Long as Needed</b>						
4.1: By 2009, 100% of NARA's archival holdings are in appropriate space. 4.2: By 2009, 100% of NARA records centers comply with the October 2009 regulatory storage standards. 4.3: By 2007, 50% of NARA's at-risk archival holdings are appropriately treated or housed so as to retard further deterioration.						
<b>Performance Indicator</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Target</b>	<b>2006 Actual</b>
Cost of archival storage space per cubic feet of traditional holdings stored.	—	—	\$6.11	\$6.48	—	\$6.42
Percent of cumulative backlog of NARA's at-risk archival holdings ever treated.	32	35	41	47	33	40
<b>Strategic Goal 5: NARA Strategically Manages and Aligns Staff, Technology, and Processes to Achieve Our Mission.</b>						
5.1: By 2008, the average time a leadership position remains unfilled is 30 days or less. 5.2: By 2007, the percentages of NARA employees in underrepresented groups match their respective availability levels in the Civilian Labor Force. 5.3: By 2007, NARA accepts 100% of the validated legal documents submitted electronically for publication in the <i>Federal Register</i> . 5.4: By 2008, all public network applications are available 99.9% of the time.						

Performance Indicator	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Target	2006 Actual
Average time to fill leadership positions (days).	—	—	—	—	70	43
Percent of staff having performance plans linked to strategic outcomes.	80	93	91	92	95	93
Percent of staff having staff development plans linked to strategic outcomes.	1	91	52	78	95	76
Percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups.	78	89	92	95	96	88
Percent of all <i>Federal Register</i> documents managed electronically using eDocs (at year end).	—	—	—	—	75	75
Percent of public network applications availability.	—	—	98.7	98.9	98	98.9

*Goal 1: Improving Records Management*

Providing records management training to Federal employees is essential to NARA’s mission. In FY 2006 we exceeded our goal for training first time attendees in records management classes with 1,484 first time participants. In addition, this year we certified 320 records managers through our certification program, now it its second year. This program identifies the core competencies necessary for Federal records managers and tracks participants’ progress in completing the necessary training.

Wayne Derrickson, 84, fought in Europe in World War II and returned to Indiana knowing he had been awarded the Silver Star but 60 years later had never received it. So his daughter, Janene Dubach, wrote the National Personnel Records Center (NPRC) for help. A 1973 fire destroyed Derrickson’s file, but NPRC was able to certify the award, the nation’s third highest honor for valor, with other documents. The medal arrived in mid-December, so his wife wrapped it up for Christmas morning, and he opened it as he spoke with Janene by phone. “There was silence on the phone,” Dubach recalls, “I was crying, because I heard the shock and excitement in his voice.” NARA gets her thanks: “Thank you so much . . . This was a dream of mine and my daddy’s and you made it happen.”



*Wayne Derrickson opens his Silver Star on Christmas morning. (Photo by David Beckett.)*

We measured the success of our records management leadership through a survey targeting Chief Information Officers at Federal agencies. We asked them how they view the role of their agency records management programs in managing the assets and risks in their agencies. Eighty-one percent of the respondents told us that records management was a positive tool for risk and asset management in their agencies.

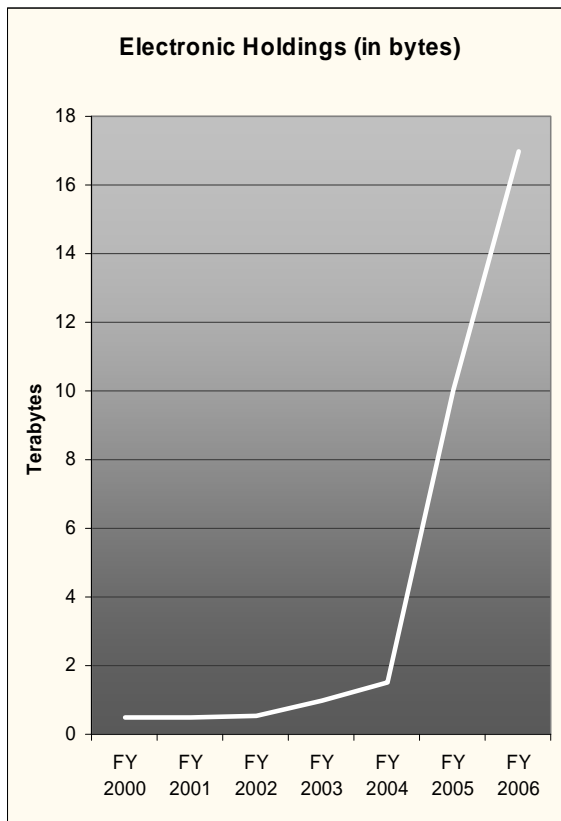
We conducted our second Records Scheduling and Appraisal Services Customer Satisfaction Survey. The survey is a tool to gauge satisfaction in the areas of scheduling and appraisal. The actions we have taken since the first survey in 2003 have led to a 20 percent improvement in overall satisfaction.

We continued to work closely with Federal Agencies and private industry to develop software standards for records management applications. We produced requirements for software that align with OMB's Federal Enterprise Architecture and support NARA's Electronic Records Management Initiative for government software development practices.

We issued NARA Guidance for Implementing Section 207(e) of the E-Government Act of 2002. This bulletin provides an approach to improve the management of electronic records, including web records, as directed by Section 207(e) of the E-Government Act of 2002 [44 U.S.C. 3601]. All electronic records created and received by agencies are subject to the same existing statutory and regulatory records management requirements as records in other formats and on other media.

We also issued several significant guidance products for agencies this year. These included the Records Management Profile of the Federal Enterprise Architecture, the remaining enterprise-wide ERM guidance products for implementing ERM, and the *Toolkit for Managing Electronic Records*. The *Toolkit* is an online resource for Federal agencies to quickly and economically find tools and information on electronic records management topics. The collection is searchable by topic, by occupation, by the organization that created the tool, and within the descriptive text.

We continued to offer *targeted assistance* to Federal agencies nationwide with urgent records management problems. Through targeted assistance partnerships, our records management experts spent time on-site at the offices of other Federal agencies to train



personnel, help plan records inventories, assist in scheduling records for disposal or transfer to NARA, and aid in writing records management plans. Since 1999, we have initiated 379 targeted assistance projects with more than 100 Federal agencies and field offices, and have completed 285 projects.

*Goal 2: Meeting Electronic Records Challenges*

The *Electronic Records Archives (ERA)* is our program to create tools that will capture electronic records and information, regardless of format, save them permanently, and make them accessible on whatever hardware or software is currently in use. This year we completed application-related software specifications for ERA's Ingestion, Dissemination, Preservation, and Records Management functions. We

also designed business processes and business objects that contributed to the completion of the Critical Design Review (CDR) for the first increment of ERA. The CDR process verifies that the design under review satisfies cost, schedule, and performance requirements.

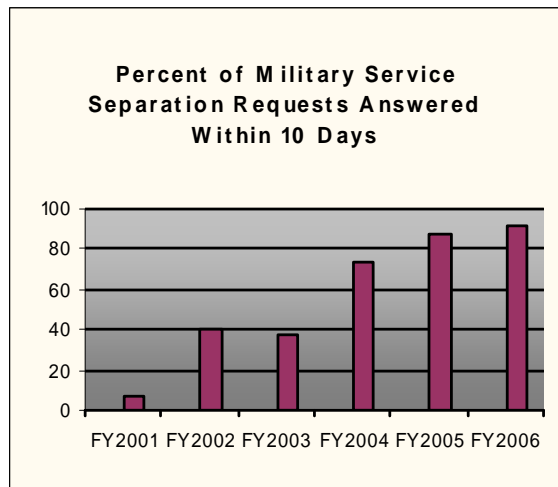
More than 86 million logical data records are now accessible online through our *Access to Archival Databases (AAD)*, one of the early prototypes of a portion of the ERA system.

*Goal 3: Expanding Opportunities for Access*

We completed a major milestone in our effort to add descriptions of our holdings to the Archival Research Catalog (ARC), our online catalog of our nationwide holdings. At the end of the year, more than 1.6 million descriptions of our holdings were in ARC, exceeding our target of 50 percent. We have also described more than 300,000 artifacts and 4.5 billion electronic records.

To continue our improvement of customer service at the National Personnel Records Center in St. Louis, the Case Management and Reporting System (CMRS), now fully deployed, makes a web portal available for the electronic submission of requests from veterans and Federal agencies. We continued to improve our response time in answering requests for military separation records and now answer more than 91 percent of the requests within 10 working days.

We continued to expand our electronic services through our Enhancing NARA's Online Services program, in which we looked for opportunities to make more of our services available electronically for both Federal agencies and the public. We currently make more than 50 percent of our services available to the public online. One indication of the quality and interest in the information we provide is that in FY 2006 nearly 33 million visitors accessed our web sites, a 50 percent increase over last year. To help us continue to improve our web services, we have used information gathered in an online survey on our main public web site, *Archives.gov*. This survey, which uses the American Customer Satisfaction Index, gives us valuable information from our customers and we use the survey results to make improvements our site.



We continued to provide outstanding customer service exceeding our targets in nearly every area. More than 97 percent of the written requests we received from customers were answered within 10 working days, exceeding our goal of 95 percent. Ninety-eight percent of the items our customers requested in our research rooms were furnished within one hour of request or the scheduled pull time. Fully 98 percent of our customers

also rated our educational programs, workshops, and training programs as meeting or exceeding their expectations.

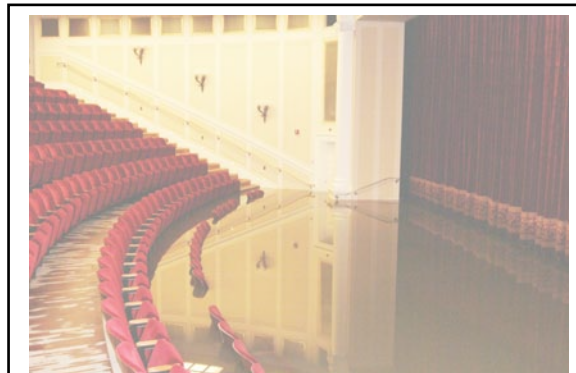
*Goal 4: Meeting Storage and Preservation Needs of Growing Quantities of Records.*

We worked closely with the Richard Nixon Library and Birthplace Foundation and made significant strides in establishing the Richard Nixon Presidential Library and Museum as part of the NARA-operated Presidential Library System. As a result of 2005 legislation supporting the creation of a Federally-operated Nixon Library, the Nixon Foundation has undertaken a project to remodel space within the existing library in Yorba Linda, California, to house Nixon Vice Presidential and Presidential artifacts. Additional space is also being remodeled to provide for a NARA-operated research room, processing rooms, and administrative offices. Concurrently, NARA is nearing completion of the design for an approximately 15,000 square foot addition to the library to house the bulk of the Nixon Presidential Materials currently stored in College Park, Maryland.

The initial phase of the Foundation-sponsored remodeling project was substantially completed in August. At that time, under an interim occupancy agreement, NARA transferred the first holdings in its custody to the Nixon Library facility. These materials included Nixon Vice Presidential and other pre-Presidential artifacts and papers. The move of Nixon Presidential head of state and domestic gifts is expected to begin in November 2006 and continue through the spring of 2007. The second phase of the remodeling project will be completed in November 2006. Following the execution of a joint use agreement, the Archivist will then formally accept the Nixon Library on behalf of the United States for operation by NARA.

Final renovations of the National Archives Building were completed this year, upgrading the building to modern standards and bringing it into compliance with the Americans with Disabilities Act (ADA). The renovation included replacements of mechanical equipment, electronic distribution equipment, new emergency exits, fire alarm and security systems, and upgrades to the public spaces and office areas. It also included the preservation and re-encasement of the Charters of Freedom (the Declaration of Independence, the Bill of Rights, and the Constitution) in a new exhibit in the renovated Rotunda that enables all people to view the Charters with ease and without assistance. To date, more than 2.5 million visitors have viewed the reopened Rotunda and its precious contents.

Water damage had a significant impact on operations in June and July of this year. Flooding and electrical outages in Washington, DC, in June forced the closure of the National Archives Building for nearly four weeks. Fortunately, no records were damaged from water or mildew. Additionally, the Washington



*In June, flooding at the National Archives Building in Washington, DC, submerged the stage and the first two rows of seats. (Photo by Jeffrey Reed)*



National Records Center in Suitland, MD, had an 8-inch water main burst in the stacks, affecting 18,000 Federal Records Center boxes. Employees worked quickly to save these records, placing them into freezer trucks so they could be freeze-dried at our records recovery contractor's facility.

We opened new records storage facilities in Atlanta, GA, and Riverside, CA, and moved records from several substandard facilities. These storage facilities are compliant with our storage standards and will cost-effectively increase the life of all the records they store.

We also extended the life of the most fragile, at-risk records in our possession. We treated, rehoused, or copied more than 39 percent (29,000 cubic feet) of these records, which were in danger of being lost forever. A separate category of records, U.S. Official Military Personnel Folders (OMPF), are also at risk. In a 2003 assessment of OMPF's in St. Louis, we learned that 85 percent of the OMPFs were on a type of paper that deteriorates very quickly. This year we treated an additional 41 percent (7,100 cubic feet) of the most fragile of these files, a collection of military service records which dates back to 1885 and contains service records prior to World War II.

*Goal 5: Strategically Managing our Resources*

We continued to strengthen our information technology (IT) security through several tactics. We provided annual computer security training to our staff and held annual training to users of classified systems. In addition, we completed initial certification and accreditation activities for each classified system. In FY 2006 we upgraded the physical security of NARA's computer servers at our National Archives at College Park building and tightened security procedures across the country.

Jonathan Hirabayashi was flipping through a book about World War II last year when one photograph jumped out at him. Taken by the noted photographer Dorothea Lange, it showed Japanese Americans lined up at a California relocation camp in June 1942, waiting for a meal. Hirabayashi experienced a "flood of emotion" when he recognized the woman in the white coat—his mother. For a copy of the photograph, he contacted Holly Reed of NARA's Still Pictures Branch, who located it. "The wan and forlorn look of my mother in the photograph seems disjointed and out of character for the mother and Grandmother we knew," Hirabayashi wrote later, "So, the photo becomes a lesson for me and my children about overcoming adversity. The photograph is a wonderful link from the past to the present and to the future."



*Johnathan Hirabayashi's mother, in the white coat, is among Japanese Americans lined up for a meal at a California relocation camp in 1942. (Photo by Dorothea Lange, 210-G-3C-632)*

**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2006**

We continued deployment of the Electronic Editing and Publishing System (eDOCS) into our daily *Federal Register* publication production operations in FY 2006. This year we received more than 31,000 documents and, by late in the year, had achieved our goal of managing 75 percent of them electronically via eDOCS. More than 157 million *Federal Register* documents were retrieved online by our customers. We are proud of these efforts that make the workings of government more readily accessible to citizens.

*Linking Our Budget to Our Objectives*

Our long-term objectives are tied directly to our budget. The chart below illustrates, by strategic goal and long-term objective, the resources allocated to each of these goals. (The resources obligated to each of these goals are shown in figure 3 on p. 34.) The chart also links the major budget functions to each of our long-term objectives.

<b>NARA Goals &amp; Long – Term Objectives</b> (\$ and FTE allocated to each Goal)	Records Services	Archives – Related Services	Electronic Records Archives	Revolving Fund	Trust Fund	NHPRC	Repairs & Restoration
<b>Goal 1: \$17,365,000 and 144 FTE</b>							
1.1. By 2008, 95% of agencies view their records management program as a positive tool for asset and risk management.	✓						
1.2. By 2008, 95% of approved capital asset plans have approved records schedules by the time those systems begin creating records.	✓						
1.3. By 2008, 95% of customers are satisfied with NARA scheduling and appraisal services.	✓						
<b>Goal 2: \$54,542,000 and 102 FTE</b>							
2.1. By 2008, NARA’s Records Center Program accepts and services electronic records.			✓	✓			
2.2. By 2008, 80% of scheduled archival electronic records are accessioned by NARA at the scheduled time.	✓		✓				
2.3. By 2008, 80% of archival electronic records are managed at the appropriate level of service.	✓		✓				
2.4. By 2008, the median time from the transfer or archival electronic records to NARA until they are available for access is 35 days or less.	✓		✓				
2.5. By 2008, the per megabyte cost of managing archival electronic records through the Electronic Records Archives decreases each year.			✓				
<b>Goal 3: \$152,639,000 and 2,280 FTE</b>							
3.1. By 2007, access to records and services and customer satisfaction levels meet or exceed NARA’s published standards.	✓	✓		✓	✓		
3.2. By 2007, 70% of NARA services are available online.	✓			✓			
3.3. By 2008, 80% of NARA archival holdings are described in an online catalog.	✓						
3.4. By 2007, Government-wide holdings of 25-year-old or older records are declassified, properly exempted, appropriately referred, or appropriately delayed under	✓						

**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2006**

NARA Goals & Long – Term Objectives (\$ and FTE allocated to each Goal)	Records Services	Archives – Related Services	Electronic Records Archives	Revolving Fund	Trust Fund	NHPRC	Repairs & Restoration
the provisions of Executive Order 12958, as amended, through a series of ISCO-led interagency efforts.							
3.5. By 2007, NARA archival holdings of 25-year-old or older records are declassified, properly exempted, appropriately referred, or appropriately delayed under the provisions of Executive Order 12958, as amended.	✓						
3.6. By 2007, 10% of records of a two-term President or 15% of records for a one-term President are open and available for research at the end of the 5-year post-Presidential period specified in the Presidential Records Act.	✓						
3.7. By 2007, 90% of all NHPRC-assisted projects produce results promised in grant applications approved by the Commission.		✓				✓	
<b>Goal 4: \$67,798,000 and 185 FTE</b>							
4.1. By 2009, 100% of NARA’s archival holdings are in appropriate space.	✓						✓
4.2. By 2009, 100% of NARA records centers comply with the October 2009 regulatory storage standards.				✓			
4.3. By 2007, 50% of NARA’s at-risk archival holdings are appropriately treated or housed so as to retard further deterioration.	✓						
<b>Goal 5: \$36,895,000 and 129 FTE</b>							
5.1. By 2008, the average time a leadership position remains unfilled is 30 days or less.	✓	✓		✓			
5.2. By 2007, the percentages of NARA employees in underrepresented groups match their respective availability levels in the Civilian Labor Force.	✓	✓		✓			
5.3. By 2007, NARA will accept 100% of the validated legal documents submitted electronically for publication in the <i>Federal Register</i> .		✓					
5.4. By 2008, all public network applications are available 99.9% of the time.	✓	✓		✓			

## Financial Highlights

FY 2006 was the third year that NARA prepared consolidated financial statements for submission to OMB and Congress in accordance with the Chief Financial Officers (CFO) Act. The financial statements presented in this report have been prepared from NARA's accounting records in accordance with the generally accepted accounting standards prescribed for Federal entities by the Federal Accounting Standards Advisory Board (FASAB) and presentation standards prescribed by OMB Circular A-136, *Financial Reporting Requirements*.

### Sources of Funds

NARA is funded through appropriated budget authority which includes annual, multi-year and no-year appropriations which are available for use within certain specified statutory limits. Other financing sources include the National Archives Trust Fund, Gift Fund, and Revolving Fund revenues.

NARA's FY 2006 budget authority from appropriation was \$338.1 million. We carried over \$23.3 million in multi-year and no-year funds, and \$.3 million from FY 2005 was made available for obligation in FY 2006. FY 2006 rescissions totaled \$3.4 million. Total appropriated budget authority for FY 2006 was \$358.3 million (see Figure 2).

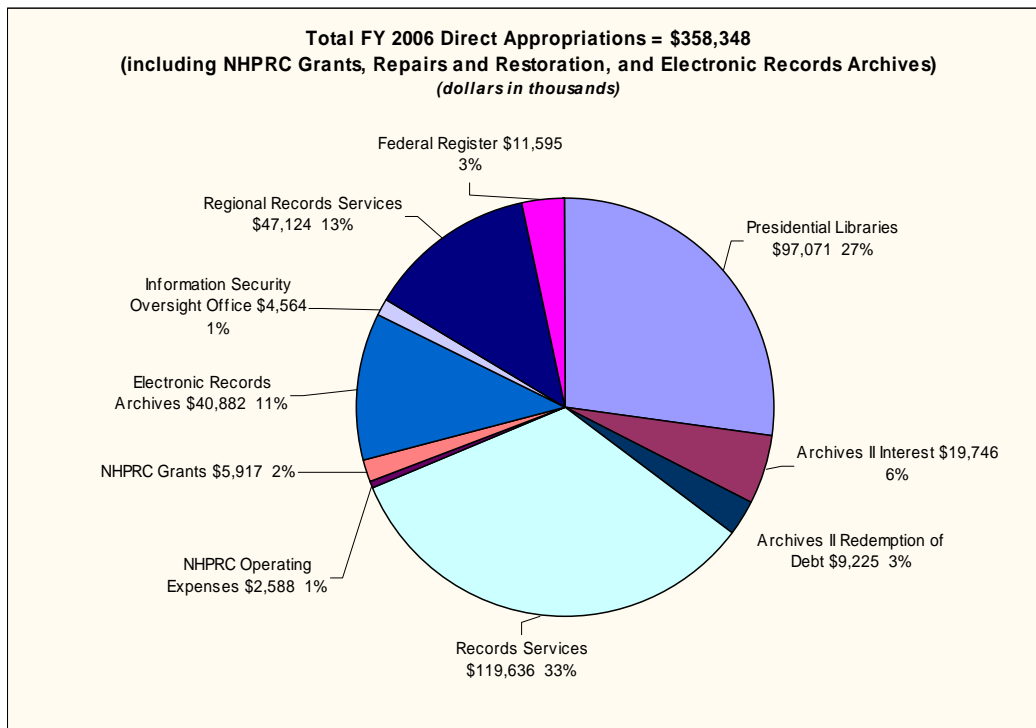


Figure 2. Appropriated Budget Authority, FY 2006.

The major operating appropriation funds basic operations comprising records services, archives-related services, and the National Archives at College Park. Records services provides for selecting, preserving, describing, and making available to the general public, scholars, and Federal agencies the permanently valuable historical records of the Federal Government and the historical materials and Presidential records in Presidential Libraries; for preparing related publications and exhibit programs; and for conducting the appraisal of all Federal records. Archives-related services provides for the publications of the *Federal Register*, the *Code of Federal Regulations*, the *U.S. Statutes at Large*, and Presidential documents, and for a program to improve the quality of regulations and the public's access to them. The \$302 million cost of construction of the National Archives at College Park, which serves as a major archival facility as well as the center for NARA's administrative offices, was financed by Federally-guaranteed debt issued in 1989. Annually, the Archivist seeks appropriations for the payment of interest and redemption of that debt.

In addition to the general operating expenses appropriation, NARA receives others that are more specific. The Electronic Records Archives appropriation funds NARA's effort to ensure the preservation of and access to Government electronic records. The repairs and restoration appropriation funds the repair, alteration, and improvement of archives facilities to provide adequate storage for holdings. The National Historical Publications and Records Commission grants program provides for grants to state, local, and private institutions to preserve and publish records that document American history. Figure 2 demonstrates the allotment of total available appropriated funds.

The National Archives Trust Fund and Presidential Library Trust Funds' budget authority includes revenues generated from the sale of publications, museum shop sales, paper reproductions, audio visual reproductions, library admissions, educational conferences, and interest income. Expenditures are made for the cost of museum shop inventory, personnel, operational and financial systems, equipment, and reproduction supplies. The National Archives Trust Fund and Presidential Library Trust Funds earned revenue of \$16.9 million in FY 2006.

The Gift Fund's budget authority includes donations and interest earned on those gifts and endowments. It was established to administer incoming gifts and bequests for the benefit of, or in connection with, the archival and records activities of the National Archives and Records Administration. Expenditures are made for various programs, including historical research, conferences, archival and cultural events, and publications. In FY 2006, the gift fund received donations of \$0.4 million.

The Revolving Fund's budget authority includes temporary Federal agency records stored in NARA service facilities. It provides storage, transfer, reference, re-file, and disposal services, for a standard fee. The Revolving Fund earned revenue of \$136 million, after intra-entity eliminations, in FY 2006.

### ***Uses of Funds by Function***

NARA incurred new general fund obligations of \$334.8 million in FY 2006. Of this, \$3.6 million is for reimbursable work. The chart on the next page represents obligations by strategic goals.

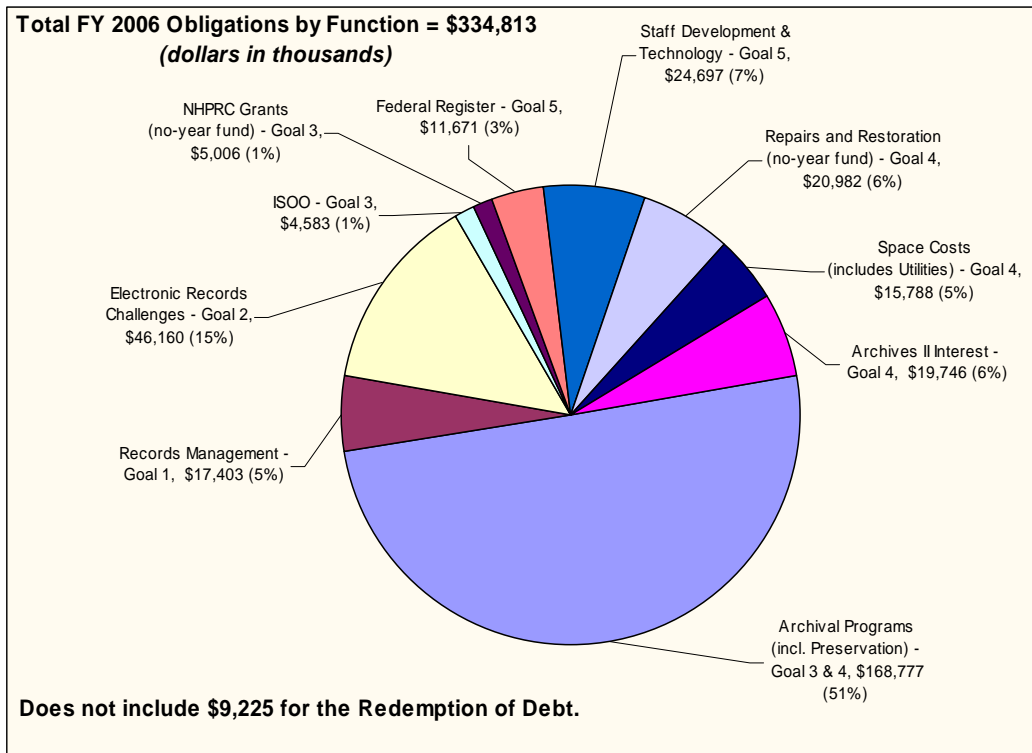


Figure 3. Obligations by Function, FY 2006.

### **Audit Results**

NARA received an unqualified opinion on its FY 2006 financial statements and a qualified opinion on its FY 2005 financial statements. The FY 2005 opinion was qualified for the effects of such adjustments, if any, as might have been necessary had CG been able to perform adequate audit procedures on obligations and outlays related to investments. The auditors identified one material weakness in internal control and two reportable conditions. The auditors disclosed no instances of noncompliance with certain provisions of laws and regulations.

### **Financial Statement Highlights**

NARA's financial statements summarize the financial activity and financial position of the agency. The financial statements, footnotes, supplementary information, and supplementary stewardship information appear in Part III - Financial Section. An analysis of the principal statements follows.

### **Analysis of the Balance Sheet**

#### *Assets*

NARA's assets were \$558.2 million as of September 30, 2006, an increase of \$40 million from the end of FY 2005. The assets reported in NARA's balance sheet are summarized in the accompanying table.

<b>Asset Summary (in millions)</b>	<b>FY 2006</b>	<b>FY 2005</b>
Fund balance with Treasury and cash	\$174.7	\$167.3
General property, plant, and equipment, net	339.8	311.8
Investments	28.5	26.7
Accounts receivable, net	13.1	10.0
Inventory	1.1	1.1
Other	1.0	1.0
<b>Total assets</b>	<b>\$558.2</b>	<b>\$517.9</b>

The fund balance with Treasury and cash represents approximately 31.3 percent of total assets. An increase of \$7.4 million from FY 2005 balance was funded by higher appropriation levels for ERA, as well as increased volume of business and resultant collections of fees for services. Property, plant, and equipment constitute 60.9 percent of total assets, with the National Archives Facility at College Park representing the greater part of the balance.

*Liabilities*

NARA's liabilities were \$298.8 million as of September 30, 2006, an increase of \$6.1 million from the end of FY 2005. Most of the increase in liabilities is due to higher levels of expenditures on services contracts (e.g., ERA) with longer invoicing lead times resulting in higher accruals, as well as significant increases in utility costs in the 4<sup>th</sup> quarter of 2006. Net increase in liabilities is offset by a reduction in debt by the amount of its annual debt repayment during the year. The liabilities reported in NARA's balance sheet are summarized in the accompanying table.

<b>Liabilities Summary (in millions)</b>	<b>FY 2006</b>	<b>FY 2005</b>
Debt held by the public	\$226.9	\$236.3
Accounts payable	35.6	23.4
Other	36.3	33.0
<b>Total liabilities</b>	<b>\$298.8</b>	<b>\$292.7</b>

Debt held by the public accounts for approximately 76 percent of total liabilities and represents certificates of participation issued to the public through a trustee to cover the construction costs of the National Archives at College Park. Liabilities totaling \$246.5 million, or 82.5 percent of total liabilities, were unfunded, i.e., budgetary resources were not yet available. For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with OMB funding guidelines. The major elements of unfunded liabilities are \$226.9 million for debt held by the public, \$10.6 million for workers' compensation, and \$9 million for unfunded annual leave.

*Net Position*

The difference between total assets and total liabilities, net position, was \$259.4 million as of September 30, 2006. The increase of \$34.2 million from FY 2005 year-end balance is due mainly to capitalizing, as work-in-progress, of FY2006 expenditures for software development activity on the ERA project. The net position reported in NARA's balance sheet is summarized in the accompanying table.

<b>Net Position Summary (in millions)</b>	<b>FY 2006</b>	<b>FY 2005</b>
Unexpended appropriations	\$108.9	\$ 117.6
Cumulative results of operations	150.5	107.6
<b>Total net position</b>	<b>\$259.4</b>	<b>\$ 225.2</b>

Unexpended appropriations is the amount of authority granted by Congress that has not been expended. Cumulative results of operations represents net results of operations since NARA's inception, reflecting results of revolving fund operations and funding of capital needs of the agency

*Analysis of the Statement of Net Cost*

The statement of net cost presents the net cost of NARA's six major programs. NARA's net cost of operations for the year ended September 30, 2006, was \$314.9 million. The decrease of \$30.5 million in the net cost of operation is due largely to the increased development costs in the Electronic Records Archives program (ERA), which are moved from operating expenses to capitalized work- in-progress account, offset by increases in cost of utilities and security services, and payroll cost of living increases on the operating expenses program line. Net costs by program are shown in the accompanying table.

<b>Net Cost of Operations (in millions)</b>	<b>FY 2006</b>	<b>FY 2005</b>
Records and archives-related services	\$284.0	\$279.7
Trust and Gift Funds	(2.8)	(.2)
Electronic Records Archives	6.4	35.7
National Historical Publications and Records Commission grants	7.0	7.3
Archives facilities and Presidential libraries repairs and restoration	12.5	11.1
Records center storage and services	7.8	11.8
<b>Net cost of operations</b>	<b>\$314.9</b>	<b>\$345.4</b>

*Analysis of the Statement of Changes in Net Position*

The statement of changes in net position reports the change in net position during the reporting period. Net position is affected by changes in its two components – Cumulative Results of Operations and Unexpended Appropriations. The increase in net position of \$34.2 million from FY 2006 to FY 2005 is comprised of the increase in cumulative results of operations of \$42.9 million and a decrease in unexpended appropriations of \$8.7 million. The overall increase is indicative of the higher expenditures for capital needs of the organization, such as ERA development activity described above.



### *Analysis of the Statement of Budgetary Resources*

The statement of budgetary resources presents the sources of budgetary resources and their status at the end of the period, as well as demonstrates the relationship of obligations to outlays. For FY 2006, NARA had budgetary resources available of \$583.8 million, an increase of 2.7 percent over \$568.7 million in FY 2005. The majority of the increase resulted from new budget authority.

### *Analysis of the Statement of Financing*

The statement of financing is designed to reconcile obligation-based (budgetary accounting) information in the statement of budgetary resources and accrual-based (financial accounting) information in the statement of net cost by reporting the differences and explaining them. This reconciliation ensures that the proprietary and budgetary accounts in the financial management system are in balance. The statement of financing takes budgetary obligations of \$519 million and reconciles to the net cost of operations of \$314.9 million by deducting non-budgetary resources, costs not requiring resources, and financing sources to be provided in the future.

### *Debt Management*

The Bureau of Public Debt (BPD) and the General Services Administration (GSA) assist NARA with the management of employee debts. NARA contracts with GSA for payroll services. Under this cross-servicing agreement, GSA tracks employee debts and pursues delinquent debts from NARA employees through salary offset and administrative wage garnishment. NARA has a cross-servicing agreement with BPD for accounting services. In compliance with the Debt Collection Improvement Act of 1996, BPD actively pursues delinquent non-Federal claims and, upon request by NARA, transmits delinquent claims to the U.S. Department of the Treasury Financial Management Service (FMS) for collection cross-servicing.

### *Erroneous Payments Management*

NARA does not have any high risk programs, as defined by OMB and the Improper Payments Information Act, or programs and activities that meet the \$10 million and 2.5-percent threshold established by the Office of Management and Budget as a definition of significant erroneous payments

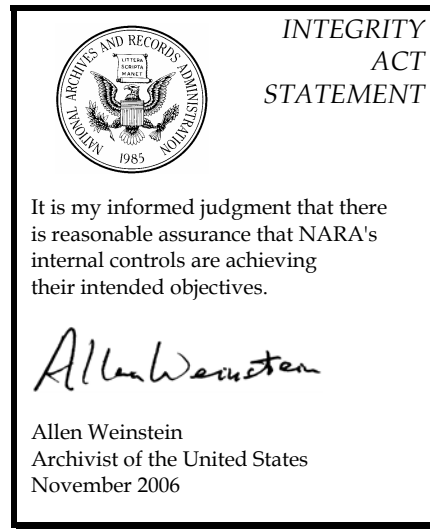
## Systems, Controls, and Legal Compliance

This section provides information about NARA's compliance with the

- Federal Manager's Financial Integrity Act
- Federal Information Security Management Act
- Federal Financial Management Improvement Act
- Prompt Payment Act
- Inspector General Act

### ***Federal Managers' Financial Integrity Act***

The Federal Managers' Financial Integrity Act mandates that agencies establish controls that 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. This act encompasses operational, program, and administrative areas, as well as accounting and financial management. It requires the Archivist to provide an assurance statement to the President on the adequacy of internal controls and conformance of financial systems with Government-wide standards.



### ***Internal Controls Program***

NARA's internal controls worked to ensure the attainment of our mission and FY 2006 goals, maintain efficient operations, and reduce fraud and the misuse of taxpayer-provided resources. NARA managers submitted an annual assurance statement, along with a management control plan, to the Archivist of the United States at the end of the fiscal year. These statements were based on various sources and included

- Management knowledge gained from daily operation of programs
- Management reviews
- Program evaluations
- Audits of financial statements
- Reviews of financial systems
- Annual performance plans and periodic performance reporting to the Archivist
- Senior Staff reviews and briefings

- Internal oversight groups for agency programs
- Monthly reporting in NARA's Performance Measurement Reporting System and monthly Strategic Schedule reporting
- Reports and other information provided by the congressional committees of jurisdiction

In addition, audits and reviews performed by the Office of Inspector General (OIG) and the Government Accountability Office reviewed the agency's internal controls and led to improvements in them. Annually, the OIG reviews the state of NARA's internal controls. The Archivist's assurance letter reports on the results of this assessment.

### ***FY 2006 Internal Controls***

NARA evaluated its internal control systems for the fiscal year ending September 30, 2006. This evaluation provided reasonable assurance that the agency's internal controls achieved their intended objectives. Pursuant to Section 2 of the Integrity Act, we identified a material weakness in our collections security program in FY 2001. In FY 2005, we identified a weakness in our preservation program. We have made progress in our actions to remedy the collections security weakness, but still have substantive work to do before we can remove it as a material weakness. Significant work was completed in FY 2006 to improve internal controls for our preservation program. We are downgrading it from a material weakness to a reportable condition and will continue close monitoring of the program through our agency's risk review board. We have also declared a new reportable condition related to Information Technology (IT) documentation and will use the agency's risk review board to monitor improvements to internal controls.

### ***Federal Information Security Management Act***

The Federal Information Security Management Act (FISMA) requires Federal agencies to conduct an annual self-assessment review of their information technology security program, to develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and to report to OMB on the agency's compliance.

Following established FISMA requirements, our review indicated no new significant deficiencies in NARA's FY 2006 FISMA, submitted October 2, 2006, to OMB.

### ***Federal Financial Management Improvement Act***

As an Accountability for Tax Dollars Act (ATDA) agency, NARA is not subject to the requirements of FFMIA, per OMB bulletin #06-03, *Audit Requirements for Federal Financial Statements*.

### ***Prompt Payment Act***

As our financial service provider, the Bureau of the Public Debt processes payments for NARA in accordance with the Prompt Payment Act and submits quarterly prompt pay statistics on our behalf.

***Inspector General Act***

In FY 2006 NARA satisfied 56 percent of audit recommendations opened prior to the start of the Fiscal Year, and 39 percent of audit recommendations opened during the Fiscal year. This shows our commitment to resolving and implementing open audit recommendations presented in OIG reports. Section 5(b) of the Inspector General Act requires agencies to report on final actions taken on OIG audit recommendations. This information is included in the Archivist's transmittal of the OIG semi-annual report to Congress.

## Facilities

**National Archives Building**  
 700 Pennsylvania Avenue, NW  
 Washington, DC 20408  
 202-357-5400

**National Archives at College Park**  
 8601 Adelphi Road  
 College Park, MD 20740  
 301-837-2000

**Washington National Records Center**  
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*Regional Administrator*

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**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2006**

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NARA-Pacific Alaska Region  
(Anchorage)  
654 West Third Avenue  
Anchorage, AK 99501  
907-261-7800

**NARA-National Personnel  
Records Center**  
Ronald Hindman, *Director*

NARA-National Personnel  
Records Center  
(Civilian Personnel Records)  
111 Winnebago Street  
St. Louis, MO 63132  
314-801-9250

NARA-National Personnel  
Records Center  
(Military Personnel Records)  
9700 Page Avenue  
St. Louis, MO 63132  
314-801-0800

**Herbert Hoover Library**  
Timothy G. Walch, *Director*  
210 Parkside Drive  
P.O. Box 488  
West Branch, IA 52358  
319-643-5301

**Franklin D. Roosevelt Library**  
Cynthia Koch, *Director*  
4079 Albany Post Road  
Hyde Park, NY 12538  
845-486-7770

**Harry S. Truman Library**  
Michael Devine, *Director*  
500 West U.S. Highway 24  
Independence, MO 64050  
816-268-8200

**Dwight D. Eisenhower Library**  
Daniel D. Holt, *Director*  
200 Southeast Fourth Street  
Abilene, KS 67410  
785-263-6700

**John Fitzgerald Kennedy  
Library**  
Thomas Putnam,  
*Acting Director*  
Columbia Point  
Boston, MA 02125  
617-514-1600

**Lyndon Baines Johnson  
Library**  
Betty Sue Flowers, *Director*  
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Austin, TX 78705  
512-721-0200

**Nixon Presidential  
Materials Staff**  
John Powers, *Acting Director*  
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Park  
8601 Adelphi Road  
College Park, MD 20740  
301-837-3290

**Gerald R. Ford Library and  
Museum**  
Elaine K. Didier, *Director*

Gerald R. Ford Library  
1000 Beal Avenue  
Ann Arbor, MI 48109  
734-205-0555

Gerald R. Ford Museum  
303 Pearl Street, NW  
Grand Rapids, MI 49504  
616-254-0400

**Jimmy Carter Library**  
Jay E. Hakes, *Director*  
441 Freedom Parkway  
Atlanta, GA 30307  
404-865-7100

**Ronald Reagan Library**  
Duke Blackwood, *Director*  
40 Presidential Drive  
Simi Valley, CA 93065  
805-577-4000

**George Bush Library**  
Warren Finch, *Director*  
1000 George Bush Drive West  
P.O. Box 10410  
College Station, TX 77845  
979-691-4000

**William J. Clinton Library**  
David E. Alsobrook, *Director*  
1200 President Clinton Avenue  
Little Rock, AR 72201  
501-374-4242

## Copies of This Report

This report is available on our web site at –

*[www.archives.gov/about/plans-reports/performance-accountability/](http://www.archives.gov/about/plans-reports/performance-accountability/)*

Links are provided to both the full report (Management’s Discussion and Analysis [MD&A], Performance and Financial sections, and Appendixes) as well as the summary report (MD&A). Also located on that page are links to our Strategic Plan, annual performance plans, and past performance reports.

Copies of this report also may be obtained by electronic request via the form at –

*[www.archives.gov/contact/inquire-form.html](http://www.archives.gov/contact/inquire-form.html)*

or by writing to National Archives and Records Administration, Policy and Planning Staff, 8601 Adelphi Road, Room 4100, College Park, MD 20740-6001. Please specify whether you are interested in the summary report or the full report. Also, we welcome your comments on how we can improve this report for FY 2007. Please e-mail any comments to [Vision@nara.gov](mailto:Vision@nara.gov).

## Other Web Pages of Interest

**Reports, Strategic Documents, Messages from the Archivist:** Find the latest information regarding our mission, vision, and strategic initiatives.

*[www.archives.gov/about/](http://www.archives.gov/about/)*

**The National Archives Experience:** Participate in an interactive, educational experience about the power of records in a democracy.

*[www.archives.gov/national-archives-experience/](http://www.archives.gov/national-archives-experience/)*

**Archival Holdings:** Find records of interest in Washington, DC, the regional archives, and Presidential libraries.

*[www.archives.gov/research/arc/](http://www.archives.gov/research/arc/)*

**Public Documents:** By law, the U.S. Government Printing Office and the Office of the Federal Register at NARA partner to publish and disseminate the official text of Federal laws, Presidential documents, administrative regulations and notices, and descriptions of Federal organizations, programs and activities.

*[www.gpoaccess.gov/nara/](http://www.gpoaccess.gov/nara/)*

*[www.archives.gov/federal-register/](http://www.archives.gov/federal-register/)*

**Careers at NARA:** Review current job openings and learn how to apply.

*[www.archives.gov/careers/](http://www.archives.gov/careers/)*

**Visit NARA:** Learn how to prepare for a research visit, about facility hours and locations, and more.

*[www.archives.gov/research/](http://www.archives.gov/research/)*

**Prologue Magazine:** Keep up to date on NARA activities through its quarterly journal. View selected articles and subscribe online.

*[www.archives.gov/publications/prologue/](http://www.archives.gov/publications/prologue/)*





## PART 2 PERFORMANCE SECTION

### Measuring and Reporting Our Performance

This annual performance report is the final performance report based on the goals, strategies, and long-range performance targets set forth in our 1997 Strategic Plan and the specific objectives in our FY 2006 Annual Performance Plan. The following pages detail our performance on our FY 2006 objectives. Checked boxes indicate those we fully achieved. Those we did not fully achieve have open boxes with an explanation below. We also included relevant performance results and trend information. Our budget is linked to the report's performance goals. We received no aid from non-Federal parties in preparing this report.

We used four mechanisms to measure actual performance: (1) periodic management reviews, (2) formal audits of operations, (3) expansion and refinement of our performance measurement system, and (4) systematic sampling of measurement system effectiveness. In FY 1999 we deployed our agency-wide Performance Measurement and Reporting System (PMRS). This system allows us to define and consistently measure data critical to the analysis of our performance objectives. Every year we improve and expand the system further so that our strategic performance is measured using more of a balanced scorecard approach for tracking cycle times, quality, productivity, cost, and customer satisfaction for our products and services. This report also updates some of our FY 2005 statistics that were corrected as a result of these improvements. These ongoing refinements indicate that this annual report, our annual plans, and our Strategic Plan are living documents and an integral part of our operations.

Last year, in our continuous effort to improve our performance measurement program, we completed a two-year project to upgrade PMRS. We are taking advantage of web infrastructure to collect our performance data from the more than 70 organizational units that send data to PMRS from all over the country. We also are using newer, more robust, enterprise-level databases to store the data and extract reports, instead of the high-maintenance desktop databases previously used. As a result, we are able to collect our performance data more consistently and more efficiently and store much more data for use in analyzing trends.

Our program management system (PROMT) helps us control the cost and schedule for the Electronic Records Archives (ERA) program and other programs. Last year we expanded the use of PROMT throughout NARA to help us improve our capabilities for managing and tracking performance on other projects. PROMT integrates several commercial off-the-shelf program management tools in a Windows-based web environment to help us schedule and link project activities, assign resources, collect and report costs, calculate earned value, and analyze impacts and risks to the ERA program. PROMT incorporates an EIA-748 compliant tool that meets Office of Management and Budget (OMB) and Government Accountability Office (GAO) requirements for calculating earned value.

## FY 2006 Performance by Strategic Goal

### *Strategic Goal 1: Records Management*

*Essential evidence is created, identified, appropriately scheduled, and managed for as long as needed.*

**Long-Range**

**Performance Targets**

1.1. By 2008, 95 percent of agencies view their records management program as a positive tool for asset and risk management.

1.2. By 2008, 95 percent of approved capital asset plans have approved records schedules by the time those systems begin creating records.

1.3. By 2008, 95 percent of customers are satisfied with NARA scheduling and appraisal services.

**FY 2006 Resources Available to Meet This Goal:** \$17,186,000; 151 FTE

1.1 RECORDS MANAGEMENT REDESIGN

**FY 2006 Objectives**

- Deliver the results promised on 99 percent of targeted assistance partnership projects.
- Survey Federal agencies to establish baseline percentage of agencies that view their records management programs as a positive tool for asset and risk management.
- Increase by 10 percent the number of records management training participants who are taking a NARA records management course for the first time.
- Conduct two records management studies.

**Results**

- We delivered the results promised on 100 percent of targeted assistance partnership projects.

*"...We could not have gotten this project off the ground without your help." (Social Security Administration)*

- We surveyed Chief Information Officers (CIO) at Federal agencies and established a baseline of senior managers that view their records management programs as a positive tool for asset and risk management.

- ✓ We increased by 39 percent the number of records management training participants taking a NARA records management course for the first time.
- ✓ We conducted two records management studies: a study of electronic records management in the Federal Government through a contract with the University of Maryland's Center for Information Policy, and a study of Department of Energy's Research and Development (R&D) records.

*Discussion* We delivered the results promised on 100 percent of our target assistance projects. The principle of targeted assistance is to work in partnership with agencies to resolve clearly defined records management challenges, and these partnerships have now become an integral part of the way we do business. Recently targeted assistance projects have focused more on electronic information systems and the challenges of maintaining and protecting information over time. Projects often include the development and delivery of leader-led or computer-based records management training specific to the agency.

We increased the number of targeted assistance projects with Federal agencies. For example, NARA has a memorandum of understanding (MOU) with the Office of the Secretary of Defense (OSD) to assist in its transition from a paper-based record management system to electronic recordkeeping. As part of the project we will assist OSD in conducting an agency-wide survey of its electronic record systems, provide manager briefings on records requirements, assist them in scheduling electronic record systems, and help them develop a DoD 5015.2-STD (v2) compliant Records Management Application (RMA).

NARA's Rocky Mountain Region worked with the U.S. Geological Survey Earth Resources Observation and Science (EROS) Data Center to ensure the long-term preservation and access of their aerial photographic collection. NARA's Great Lakes Region worked with the Defense Finance and Accounting Service (DFAS) to design distance learning records management training materials that could be accessed easily by DFAS staff worldwide using the DFAS ePortal intranet.

We surveyed CIO's at Federal agencies about their views of their records management programs as positive tools for asset and risk management. Our survey indicated that 81 percent of survey respondents viewed records management as a positive tool for asset and risk management. Overall, respondents also selected electronic records management as the topic of greatest interest. CIO's generally are more involved or aware of their agency records management programs. Next year we will use these results to determine how to best survey a broader range of senior managers.

Our redesigned records management training program has had its most successful year ever, now reaching even greater numbers of Federal records managers than before. We exceeded our goal of training 10 percent more first-time participants by 35 percent, training 1,484 participants who had never before taken a records management course from NARA. We offered our first online course "RM for Everyone," which was completed by 1,909 people. We also certified 320 records managers through our new professional certification program.

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We completed two records management studies this year. The first study examined electronic records management practices in Federal agencies. Based on visits to 21 Federal agency offices, the study found that most offices maintain both paper and electronic files and that the electronic files, especially e-mail, are not managed in accordance with agency policy. The second study focused on research and development records retained at Department of Energy facilities. This study found that the records schedule accurately reflects the records series that constitute R&D project files, but that historically significant collections need to be transferred to NARA. NARA records management studies identify costly performance weaknesses in Federal records management practices as well as innovative solutions and best practices.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for annual percent of targeted assistance partnership projects delivering the results promised</i>	75	85	90	95	95	99
Annual percent of targeted assistance partnership projects delivering the results promised	100	100	100	100	100	100
Annual number of targeted assistance partnership projects initiated	63	77	58	13	11	7
Annual number of targeted assistance partnership projects completed	58	76	67	26	13	6
Cumulative number of targeted assistance partnership projects initiated with Federal agencies	213	290	348	361	372	379
Cumulative number of targeted assistance partnership projects completed with Federal agencies	97	173	240	266	279	285
<i>Performance target for percent increase in the number of Federal agency senior managers who view their records management programs as a positive tool for asset and risk management</i>	–	–	–	–	–	<i>Establish baseline</i>
Percent of Chief Information Officers who view their records management programs as a positive tool for asset and risk management	–	–	–	–	–	81
<i>Performance target for percent increase in the number of records management training participants who are taking a NARA records management course for the first time</i>	–	–	–	–	10	10
Percent of records management training participants taking a NARA records management course for the first time	–	–	–	11	32	35
Number of Federal agency staff receiving NARA training in records management and electronic records management	2,506	3,746	3,497	4,166	3,366	4,234
Number of records management training participants who are taking a NARA records management course for the first time	–	–	–	442	1,069	1,484
Number of records management training participants certified this year	–	–	–	–	47	320
Number of records management training participants taking an online course	–	–	–	–	–	1,909

*FY 2007 Performance Plan Evaluation* NARA's Strategic Directions for Federal Records Management (2003) established the strategies we are using to improve records

management across the Government and achieve Goal 1. We will continue to implement these strategies through a unified NARA program to support Federal records management.

We will continue to make more effective use of our resources through improved and expanded communications with stakeholders, records management guidance and training, and assistance to Federal agencies. We are exploring ways to provide agencies with modern records center services and to preserve permanent records, focusing on electronic records. We will also use our authority to inspect agency records and records management programs, to conduct studies, and to report to Congress on Federal recordkeeping.

We are using the results of our survey of Federal agency senior managers to help us determine what additional advocacy activities for Federal records management programs and training of Federal records managers are required. With our online training and a professional certification program well under way, we have seen an increase in Federal agency staff taking training for the first time. We expect this trend to continue. We also expect a steady increase in the number of people who seek professional certification.

A status of the initiatives we are undertaking is provided in the section of this report entitled "Status of NARA Records Management Initiatives" on page 88. A report highlighting the progress of individual agencies in managing and preserving their records, entitled "Federal Records Management Evaluations," is available on page 91.

1.2 SCHEDULES FOR CAPITAL ASSET PLANS

**FY 2006 Objectives**

- Issue guidance to agencies on recordkeeping policies and procedures for Federal Government information on the Internet and electronic records.
- Develop a Request for Information (RFI) for industry as part of a project to create baseline requirements for software that supports records management functions.
- Complete flexible schedule pilots with two more Federal agencies.
- Participate in cooperative records projects for an additional Federal Enterprise Architecture (FEA) Business Reference Model Sub-function.
- Launch Electronic Records Management Toolkit for Federal agencies.

**Results**

- ✓ On December 15, 2005, NARA issued Bulletin 2006-02 ("NARA Guidance for Implementing Section 207(e) of the E-Government Act of 2002.)

*"NARA and the 18 supporting agencies have made an excellent start*

- ✓ We developed an RFI as part of a project to

- on an important concept to “put records first.”*
- create baseline requirements for software that supports records management functions.
- ✓ We initiated flexible scheduling pilots with two Federal Agencies – the Patent and Trademark office and the GAO.
  - ✓ We updated NARA guidance in the OPM Guide to Recordkeeping.
- “I think the Toolkit is really cool, and I’m excited about it.”*
- ✓ We launched a Toolkit for Managing Electronic Records for Federal agencies.

*Discussion* In December, NARA issued Bulletin 2006-2, “NARA Guidance for Implementing Section 207(e) of the E-Government Act of 2002.” This bulletin assists Federal agencies in the management of electronic records, including web records, as directed by the E-Government Act of 2002, [44 U.S.C. 3601]. All electronic records created and received by agencies are subject to the same existing statutory and regulatory records management requirements as records in other formats and on other media.

The Records Management Services (RMS) Program Requirements Devolvement Project was designed to make available to Government, industry, and academia the baseline functional requirements for software service components that support records management functions and activities. Contributing partner agencies identified seven records management activities that can be supported by services within an electronic environment, including the services-oriented architecture defined in the Federal Enterprise Architecture. These include Record Capture, Provenance, Category, Authenticity, Case File, Disposition, and Reference.

Completion of the flexible scheduling pilots required more time and resources than we originally estimated, both on our part and on the part of the partner agencies. The U.S. Patent and Trademark Office, for example, is in the process of ensuring that the business lines and records of all media within each business line have been properly identified and verified. We expect to complete the first of several flexible schedule pilots with GAO in early FY 2007.

OMB’s Federal Enterprise Architecture Business Reference Model describes the Federal Government by the business operations it performs. NARA is using this model to develop cooperative records management projects for agencies with common lines of business. On one such project, we are working with the Office of Personnel Management (OPM) to update the General Records Schedule to allow for disposal of civilian Official Personnel Folders (OPF) once they are digitized.

This year NARA launched an online resource for Federal agencies to quickly and economically share information on electronic records. The Toolkit for Managing Electronic Records (<http://toolkit.archives.gov>) is a web portal that provides descriptions and links to guidance for managing electronic records and resources developed by NARA and other organizations. The collection is searchable by topic, occupation, the organization that created the tool, or within the descriptive text.

*FY 2007 Performance Plan Evaluation* The ERM Initiative will continue to promote the expansion of Government-wide electronic records management with additional guidance products. We will work with the Department of Defense to extend the DoD 5015.2-STD

and interoperability specifications. Future transitional products will be developed under the auspices of the Interagency Committee on Government Information (ICGI).

<b>Performance Data</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Number of Federal Enterprise Architecture Business Reference Model sub-functions	153	163	163
<i>Performance target for cumulative number of Federal Enterprise Architecture Business Reference Model sub-functions covered by cooperative records projects</i>	-	1	2
Cumulative number of Federal Enterprise Architecture Business Reference Model sub-functions covered by cooperative records projects	-	0	0

1.3 SCHEDULING AND APPRAISAL SERVICES

- FY 2006 Objectives**
- Process records schedule items within a median time of 180 calendar days or less.
  - Continue analysis and develop automated workflow and collaboration tools.
  - Increase by 10 percent the number of Federal agencies that are satisfied with NARA scheduling and appraisal services.

- Results**
- ✓ We processed records schedule items within a median time of 324 calendar days.
  - ✓ We continued analysis and developed automated workflow and collaboration tools.
  - ✓ We increased by 10 percent the number of Federal agencies that are satisfied with NARA scheduling and appraisal services.

*Discussion* We continued working steadily on processing records schedules. Because this measure is affected by the age and item count of specific records schedules, performance tends to fluctuate and is not necessarily indicative of the effort involved in completing records schedules. Performance trends point to fluctuations between 155 days and 470 days, due to the complexity of the schedules and concerted efforts to clear out some of the oldest records schedule in the backlog.

The ultimate goal in continuing the analysis and development of automated workflow and collaboration tools is to successfully complete Release 1 of Increment 1 of the Electronic Records Archives (ERA) system. This system infrastructure will establish the framework required to develop the full functionality of the ERA system. We completed Increment 1 and 2 Critical Design Reviews (further discussed under Target 2.5).

NARA exceeded its customer satisfaction goal in scheduling and appraisal services, as indicated by an annual survey conducted of Federal records officers. They were asked about NARA responsiveness, guidance, and records schedule and appraisal timeliness. A 2004 survey established a baseline satisfaction measurement. A 2006 survey indicated customer satisfaction at 78 percent, exceeding our 2006 target of increasing satisfaction by 10 percent. One reason for the improvement is the new monthly status report we began

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providing to agencies, which updates and notifies agencies about the status of our work on their records schedules. We also removed a “neutral” response from the survey to get a clearer indication of whether our customers were satisfied or not. While customer satisfaction rose by 21 percent, customer dissatisfaction only rose 1 percent. Over the long term, repeated surveys will demonstrate improvement in customer satisfaction with NARA’s redesigned scheduling and appraisal services.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for median time for records schedule items completed (in calendar days)</i>	260	240	225	220	200	180
Median time for records schedule items completed (in calendar days)	237	470	155	253	372	334
Average age of schedule items at completion (in calendar days)	410	532	274	332	339	374
Number of schedule items completed	4,728	9,374	4,686	3,182	4,260	3,900
Cost per records schedule item completed	–	–	–	–	\$256	\$372
Number of records schedule items completed within 120 calendar days of submission to NARA	659	1,999	1,573	507	681	254
Percent of records schedule items completed within 120 calendar days of submission to NARA	14	21	34	16	16	7
<i>Performance target for increase in percent of Federal agencies that are satisfied with NARA scheduling and appraisal services.</i>	–	–	–	–	–	10
Percent increase in Federal agencies that are satisfied with NARA scheduling and appraisal services	–	–	–	–	–	37
Percent of Federal agencies that are satisfied with NARA scheduling and appraisal services	–	–	–	57	–	78

*FY 2007 Performance Plan Evaluation* Improvements in delivery of our services to agencies depend largely on the scheduling and appraisal functionality that ERA will soon provide. While we will continue to track our timeliness in completing records schedules, our new Strategic Plan no longer sets a target for this measure but focuses instead on the satisfaction of our customers with our services.



## Strategic Goal 2: Electronic Records

*Electronic records are controlled, preserved, and made accessible as long as needed.*

### Long-Range Performance Targets

- 2.1. By 2008, NARA's Federal Records Center Program accepts and services electronic records.
- 2.2. By 2008, 80 percent of scheduled archival electronic records are accessioned by NARA at the scheduled time.
- 2.3. By 2008, 80 percent of archival electronic records are managed at the appropriate level of service.
- 2.4. By 2008, the median time from the transfer of archival electronic records to NARA until they are available for access is 35 days or less.
- 2.5. By 2008, the per megabyte cost of managing archival electronic records through the Electronic Records Archives decreases each year.

**FY 2006 Resources Available to Meet This Goal:** \$51,177,000; 100 FTE

### 2.1 SERVICING ELECTRONIC RECORDS IN NARA RECORDS CENTERS

#### FY 2006 Objectives

- Offer remote servicing capability for electronic Official Military Personnel Files to military service departments.
- Pilot a digital conversion program to provide indexing and delivery of scanned records services.
- Construct and operate an electronic records storage environment at the Washington National Records Center.
- Evaluate existing production scan pilots and develop a modular and flexible long-term document conversion plan.
- Complete requirements and build the Records Center Program Operations System (ARCIS).
- Migrate legacy applications and data to the Records Center Program Operations System.

**Results**

- ✓ We offered remote servicing capability for electronic Official Military Personnel Files to military service departments.
- ✓ We tested a developmental digital conversion program, providing indexing and delivery of scanned records services. This system will be ready to launch in FY 2007.
- ✓ We piloted basic storage capability and developed draft transfer and receipt procedures.
- ✓ We evaluated existing production scan pilots and developed a modular and flexible long-term document conversion plan.
- ✓ We began development of RCPOS pilot application.
- ✓ We developed a migration strategy for legacy data to the Records Center Program Operations System.

*Discussion* We developed the necessary functionality to offer electronic servicing of Official Military Personnel files to Armed Services. This year we offered these cost-effective services to the Army and Air Force, but both elected to continue to service their records in-house for the time being. We will continue to make these services available to our DOD customers

NARA is in the marketing phase of a pilot project that enables us to provide customers with scanned images of documents requested from our Fort Worth Records Center. If successful, this capability will be offered at other Federal Records Centers. In addition, the Federal Records Center Program (FRCP) has signed a Memorandum of Understanding with OPM to begin the digital conversion of Civilian Official Personnel Files stored in St. Louis.

We developed specifications and awarded a contract to construct an electronic records storage environment at the Washington National Records Center. This project was dependent on the successful deployment of a pilot storage environment at our underground records storage facility at Lee's Summit. We expect to have the storage environment ready in FY 2007, and have launched a nation-wide advertising campaign to market this new service to our customers.

The Records Center Program Operating System, renamed the Archives and Records Center Information System (ARCIS) during FY 2006, will enable the Federal Records Center Program to electronically manage all records storage. In addition to the cost savings we expect to recover from increasing the efficiency of our storage process, ARCIS will enable customers to request records and track their requests via the Internet. This will provide a significant advantage to every Federal agency that stores its records with NARA. In FY 2006, we awarded a contract to complete detailed design and develop a prototype system. In addition, we began work on a migration strategy for legacy data to ARCIS. This strategy identifies the multiple legacy systems that currently make up the

backbone of the Federal Records Center Program, including inventory and billing systems.

*FY 2007 Performance Plan Evaluation* We will use our business model for the FRCP for electronic records services to deliver cost-effective, valuable services to our agency customers. The knowledge and experience from our pilots will be used to refine our services and prices for next year.

We will provide close oversight of the design and prototype contract of ARCIS.

## 2.2 ACCESSIONING ELECTRONIC RECORDS

### **FY 2006 Objectives**

- Populate pilot repository with legacy records control schedules so that by FY 2007 some schedules will be in the first increment of ERA.
- Pre-accession two more transfers of electronic records.
- Identify and schedule 10 percent more Federal agency systems that generate electronic records than we scheduled in FY 2005.

### **Results**

- We developed a legacy schedule white paper that was accepted by all stakeholders.
- We pre-accessioned two more transfers of electronic records, from the Coalition Provisional Authority, Baghdad, and the U.S. Patent and Trademark Office.
- We identified and scheduled 10 percent more Federal agency systems that generate electronic records than we scheduled in FY 2005.

*Discussion* This year we developed a white paper about various alternatives for populating ERA with legacy records schedules. We anticipate that ERA will ingest the first legacy schedule in FY 2007.

We successfully accepted a pre-accession of 800,000 PDF images from the Coalition Provisional Authority, Baghdad. We also received a pre-accession of the Patent Master Classification File from the U.S. Patent and Trademark Office's Automated Patent Search system. This important file contains records for more than 25 million patents from July 1790 to August 2006. Pre-accessioning electronic records into NARA avoids lengthy agency retentions that might jeopardize future access to these records, and provides for more accurate descriptions, earlier transfers, and better preservation.

Our identification and scheduling of Federal electronic records is the first step in increasing timely accessions. We targeted 12 Federal agencies this year that had high priority electronic records. Our advocacy with these agencies for electronic records scheduling increases the approval rate for electronic records schedules.

We assessed the opportunity to develop schedules for IT publications and websites of Federal agencies. Under a pilot program with FBI, we provided four schedules for

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identified record groups and the first has been accepted, signed, and published in the *Federal Register*.

<b>Performance Data</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for percentage of archival electronic records accessioned by NARA at the scheduled time.</i>	–	–	–	20	40
Percent of archival electronic records accessioned by NARA at the schedule time.	–	–	–	–	–*
Number of electronic records transferred (in millions of logical data records)	--	--	533	85	348
Number of electronic records accessioned (in millions of logical data records)	–	–	4.8	245	576
Number of electronic records accessioned in one of the new transfer formats (in millions of logical data records)	–	–	.0001	0.03	4.7
Size of accessioning backlog (in millions of logical data records)	–	–	529	369	383

\*We are unable to accurately measure the percent of archival electronic records accessioned by NARA at the scheduled time until ERA is deployed.

*FY 2007 Performance Plan Evaluation* We will continue to survey agencies to identify unscheduled electronic systems and, using our resource allocation model, will work with agencies to get those systems under approved records schedules. We do not anticipate that we will be able to address completely our significant backlog of archival electronic records until ERA is available. Until then, we will make workflow improvements and minor enhancements to our system capabilities in an attempt to keep up.

**2.3 MANAGING ELECTRONIC RECORDS**

**FY 2006 Objectives**

- Develop pilot preservation and access plans for select electronic records using criteria established for levels of service.
- Launch Access to Archival Databases (AAD) user interface improvements.
- Improve AAD’s customer satisfaction score to 65 on customer survey tool.

**Results**

- We developed pilot preservation and access plans for select electronic records using criteria established for levels of service.
- We launched AAD user interface improvements.
- We improved AAD’s customer satisfaction score to 65 on customer survey tool.

*“You do a great job. You just need to get more of your archives online... you have really improved your website.”*

*“Wonderful use of tax money! Thank you so very much!”*

*Discussion:* We developed preservation plans for 9/11 Commission records and NASA Space Shuttle Columbia records to organize and preserve these records within a classified environment until they can be made available to researchers. As part of this process, we designed a life cycle management plan that we will integrate into ERA.

In December, we released a redesigned AAD interface to improve public usability. We also focused on providing 1973-1974 State Department electronic telegrams and related records through AAD. AAD provides public access to database records directly through the Internet. AAD includes casualty databases from the Vietnam and Korean conflicts, indexes to NASA photographs, insider securities trading transactions, contracts between the private sector and the military, records of people emigrating to America during the Irish potato famine of the 1840s, and records of Japanese Americans interned during World War II.

We are delighted with the public response to this collection of highly heterogeneous “born-digital” records. Our new features are the likely cause of the significant increase in the number of AAD queries. With every enhancement to AAD, we receive more feedback from the public suggesting enhancements and requests that more records be made available online. Eventually the functionality of AAD will be provided by ERA.

<b>Performance Data</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for percent increase in number of archival electronic holdings accessible online</i>	–	–	50	20	10
Percent increase in number of archival electronic holdings accessible online	–	–	51	20	13
Number of archival electronic holdings accessible online (cumulative logical data records in millions)	–	47	71	85.8	97.1
Number of archival electronic holdings (cumulative logical data records in billions)	3,714	4,743	5,629	8,108	10,547
Percent of electronic records available online	0	1	1.4	1.1	0.95
Number of online visits to AAD (in millions of visits)	–	0.49	0.55	0.57	1.99

*FY 2007 Performance Plan Evaluation* We will continue to add electronic database holdings to AAD, and we will use the online customer satisfaction survey tool to evaluate the effectiveness of the redesigned AAD.

2.4 PROCESSING ELECTRONIC RECORDS

**FY 2006 Objectives**

- Process transfers of archival electronic records within a median time of 250 calendar days or less.

**Results**

- ✓ We processed transfers of archival electronic records within a median time of 259 calendar days.

*Discussion* The growth in the volume of electronic records is staggering. At the end of the Clinton Administration, the White House transferred several terabytes of electronic records to NARA, the equivalent of approximately 50,000 compact discs.

The increase in new electronic records, especially those from the Clinton administration, created a backlog that we are still working to reduce. In FY 2006 we reduced the backlog by nearly 600 million logical data records, yet at the same time we received nearly 350 million new logical data records.

We implemented hardware and software upgrades to our existing processing tools to become more efficient in reducing the backlog of unprocessed electronic records. We also purchased additional storage space and upgraded the network backbone as part of our tape farm project. This project will allow us to process electronic records stored on digital linear tape.

<b>Performance Data</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for median time to make archival electronic accessions available for access (in calendar days)</i>	–	–	250	250	250
Median time (in calendar days) for processing electronic records accessions from the time of transfer to NARA	–	450	736	413	259
Number of electronic records transferred (in millions of logical data records)	–	–	534	85	348
Cost per electronic record transferred	–	–	\$0.01	\$0.07	\$0.02

*FY 2007 Performance Plan Evaluation* We are working to implement the recommendations of a technical study to extend our network capacity, improve our Archival Preservation System (APS) software, and improve the mechanisms for electronic file transfer modes. Despite these steps, we expect significant challenges to our ability to keep up with the volume of archival electronic records transferred to NARA in the near future.

2.5 COST OF ELECTRONIC RECORDS PRESERVATION

**FY 2006 Objectives**

- ☑ Complete Preliminary Design Review for Increment 1, Release 1 of the ERA system.
- ☑ Complete Critical Design Review for Increment 1, Release 1 of the ERA system.

**Results**

- ✓ We completed the Preliminary Design Review for Increment 1, Release 1 of the ERA system.
- ✓ We completed the Critical Design Review for Increment 1, Release 1 of the ERA system.

*“ERA is the first system that will manage electronic records in a comprehensive way.”*

*Discussion:* The Electronic Records Archives (ERA) is our innovative system that will capture electronic records and information, regardless of format, save them permanently, and make them accessible on whatever hardware or software is currently in use. ERA continues to advance our ability to leverage technology to reach this goal.

In FY 2006 we completed application-related software specifications for ERA’s Ingestion, Dissemination, Preservation, and Records Management functions. We also designed business processes and business objects that contributed to the completion of the Critical Design Review (CDR) for the first Increment of ERA. The CDR process verifies that the design under review satisfies cost, schedule, and performance requirements. For further information about ERA’s progress in 2006, read the story on page 14.

<b>Performance Data</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target of percent of NARA’s electronic holdings stabilized in preparation for their transfer to the Electronic</i>	60	65	99	80	80

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<b>Performance Data</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Records Archives</i>					
Percent of NARA's electronic holdings are stabilized in preparation for their transfer to the Electronic Records Archives	98	97	93	99	96
Number of logical data records in NARA's custody (in billions)	3.7	4.7	5.6	8.1	10.5
Number of logical data records stabilized (in billions)	3.6	4.6	5.2	8.0	10.1
Percent of Presidential logical data records managed and stabilized	49	49	62	90	102
Number of Presidential logical data records (in millions)	35.3	35.3	35.3	35.3	35.3
Number of Presidential logical data records stabilized (in millions)	17.3	17.3	22.1	31.7	36.1
Per megabyte cost for stabilizing archival electronic records	—	\$4.50	\$4.77	\$0.72	\$0.43

*FY 2007 Performance Plan Evaluation* Our challenge in FY 2007 is to make business process decisions that shape system development decisions in a timely manner and effectively oversee the performance of the contractor working to develop the ERA system.

### **Strategic Goal 3: Access**

*Essential evidence is easy to access regardless of where it is or where users are for as long as needed.*

#### **Long-Range**

#### **Performance Targets**

3.1. By 2007, access to records and services and customer satisfaction levels meet or exceed NARA's published standards.

3.2. By 2007, 70 percent of NARA services are available online.

3.3. By 2008, 80 percent of NARA archival holdings are described in an online catalog.

3.4. By 2007, Government-wide holdings of 25-year-old or older records are declassified, properly exempted, or appropriately referred under the provisions of Executive Order 12958, as amended, through a series of ISOO-led interagency efforts.

3.5. By 2007, NARA archival holdings of 25-year-old or older records are declassified, properly exempted, or appropriately referred under the provisions of Executive Order 12958, as amended.

3.6. By 2007, 10 percent of records of a two-term President or 15 percent of records for a one-term President are open and available for research at the end of the five-year post-Presidential period specified in the Presidential Records Act.

3.7. By 2007, 90 percent of all NHPRC-assisted projects produce results promised in grant applications approved by the Commission.

**FY 2006 Resources Available to Meet This Goal:** \$152,076,000; 2,360 FTE

#### 3.1 CUSTOMER SERVICE

#### **FY 2006 Objectives**

We met or exceeded NARA's published standards for access to records and services, as noted below:

- 95 percent of written requests are answered within 10 working days;
- 90 percent of Federal Freedom of Information Act (FOIA) requests are completed within 20 working days;
- 95 percent of requests for military service



separation records at the National Personnel Records Center in St. Louis are answered within 10 working days;

- ☑ 95 percent of items requested in our research rooms are furnished within one hour of request or of scheduled pull time;
- ☑ 99 percent of customers with appointments have records waiting at the appointed time;
- ☑ 95 percent of Federal agency records reference requests in Federal records centers are ready when promised to the customer;
- ☑ 99 percent of records center shipments to Federal agencies are the records they requested;
- ☑ 85 percent of archival fixed-fee reproduction orders through the Order Fulfillment Application System (OFAS) are completed in 35 working days or less;
- ☑ 95 percent of education programs, workshops, and training courses meet attendees' expectations.

## Results

*"That was surely the fastest transaction with a government agency so far."*

*"This is the first time I can recall in 58 years I have written a government agency praising their service, but you have excelled."*

*"NARA's familiarity with the holdings and its corporate knowledge is in itself an asset to the public."*

*"From the perspective of a writer that has conducted research through numerous sources, the National Archives represents one of the most positive experiences imaginable; largely due to its staff."*

*"The turnaround time was good and the price reasonable. The work you do*

We met or exceeded NARA's published standards for access to records and services, as noted below:

- ✓ We answered 97 percent of written requests within 10 working days;
- ✓ We completed 87 percent of Federal FOIA requests within 20 working days;
- ✓ We answered 91 percent of requests for military service separation records at the National Personnel Records Center in St. Louis within 10 working days;
- ✓ We furnished 96 percent of items requested in our research rooms within one hour of request or of scheduled pull time;
- ✓ We provided 99.7 percent of customers with appointments the requested records at the appointed time;
- ✓ We had 98 percent of Federal agency records reference requests in Federal records centers ready when promised to the customer;
- ✓ We ensured that 99.9 percent of records center shipments to Federal agencies were the records requested;
- ✓ We completed 97 percent of archival fixed-fee

*is invaluable! Thanks."*

*"One member told me that she never knew Annie Oakley was a real person. Thanks for bringing history to life for these folks!"*

*"I yield to no one in an appreciation of the importance of those records for an understanding of American history. Again, congrats."*

✓  
✓

reproduction orders through OFAS in 35 working days or less;

We met attendees' expectations in 99 percent of education programs, workshops, and training courses.

We completed the multi-year microfilm project of Freedmen's Bureau records.

*Discussion* We consider the timely and accurate response to the thousands of requests we receive every year for records and information to be a fundamental part of NARA's mission. NARA is, first and foremost, a customer service agency. Once again we met or exceeded almost all of our customer service targets in FY 2006. Although we fell short of this year's target, our customers received answers to their requests for military service separation records within 10 days 91 percent of the time, while answering 30 percent more requests over last year. The trend from a 7 percent response rate in 2001 to a 91 percent response rate in 2006 represents the remarkable results of a multi-year business reengineering effort at our National Personnel Records Center to provide more timely response to the requests for military records by veterans and their families.

While our timely response to Freedom of Information Act (FOIA) requests improved again last year, we fell just short of meeting our target for completing 90 percent of FOIA requests for Federal records within 20 working days. Several factors have consistently contributed to this. FOIA requests for military records take considerably longer than the 20-day standard if the requests are for records that were lost in the 1973 fire at the National Personnel Records Center and the data must be reconstructed from other sources, or if the records have been borrowed by another agency. The extent of time to respond to a FOIA can be lengthened also if the records must be referred to another agency for declassification review before releasing information, or if the records requested are sizeable. Overall the average age of completed FOIA's continues to decline, an improvement over last year at an average of 16 days.

We completed the multi-year project to microfilm the records of the Bureau of Refugees, Freedmen, and Abandoned Lands (Freedmen's Bureau) from the Reconstruction era, which contains a great deal of information about the African American family experience across 15 states and the District of Columbia. The fragile records, once available only at one NARA location, were microfilmed and distributed to our regional archives and microfilm rental program. A partnership with the Genealogical Society of Utah (GSU) and Howard University will create a digital copy from the microfilm and partners have set up a program for volunteers to create an electronic index of the records.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for written requests answered within 10 working days</i>	80	85	85	90	95	95
Percent of written requests answered within 10 working days	93	93	94	95	96	97
<i>Performance target for Freedom of Information Act requests completed within 20 working days</i>	80	85	85	85	90	90
Percent of Freedom of Information Act requests for Federal records completed within 20 working days	27	76	61	65	79	87

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<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Number of FOIAs processed	7,634	8,824	4,810	5,213	8,877	8,877
Annual cost to process FOIAs (in millions)	—	\$1.54	\$1.35	\$1.43	\$1.74	\$2.62
Annual per FOIA cost	—	\$175	\$265	\$273	\$196	\$295
<i>Performance target for requests for military service separation records at the National Personnel Records Center (NPRC) in St. Louis answered within 10 working days</i>	—	—	—	70	95	95
Percent of requests for military service separation records at NPRC answered within 10 working days	7	40	37	75	88	91
Number of military service separation records (DD-214) requests (in thousands)	297	361	390	372	352	442
Average price per request for military service separation records	—	—	\$29.70	\$29.70	\$29.70	\$29.70
<i>Performance target for requests for all military service records at NPRC answered within 10 working days</i>	25	30	35	—	—	—
Percent of requests for all military service records at NPRC answered within 10 working days	4	28	28	48	51	61
<i>Performance target for items requested in our research rooms furnished within one hour of request or scheduled pull time</i>	95	95	95	95	95	95
Percent of items requested in our research rooms furnished within one hour of request or scheduled pull time	93	94	96	98	98	96
Number of researchers visiting our research rooms (in thousands)	—	248.7	204.5	168.5	171.3	134.2
Number of items furnished in our research rooms (in thousands)	1,056	613	607	696	537	421
Number of items furnished on time in our research rooms (in thousands)	985	578	584	683	527	405
<i>Performance target for customers with appointments for whom records are waiting at the appointed time</i>	99	99	99	99	99	99
Percent of customers with appointments for whom records are waiting at the appointed time	99.7	99.8	99.9	99.3	99.4	99.7
<i>Performance target for Federal agency reference requests in Federal records centers that are ready when promised to the customer</i>	90	90	90	90	95	95
Percent of Federal agency reference requests in Federal records centers that are ready when promised to the customer	93	92	94	96	97	98
<i>Performance target for records center shipments to Federal agencies are the records they requested</i>	99	99	99	99	99	99
Percent of records center shipments to Federal agencies are the records they requested	99.99	99.99	99.99	99.99	99.99	99.99
<i>Performance target for archival fixed-fee reproduction orders through OFAS are completed in 35 working days or less</i>	—	50	60	75	80	85
Percent of archival fixed-fee reproduction orders through OFAS are completed in 35 working days or less	—	88	99	99	99	97

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<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Average per order cost to operate fixed-fee ordering	–	–	\$26.34	\$29.35	\$27.31	\$28.74
Average order completion time (days)	–	20	14	9	12	14
<i>Performance target for percent of education programs, workshops, and training courses meeting attendees' expectations</i>	90	95	95	95	95	95
Percent of education programs, workshops, and training courses meeting attendees' expectations	97	96	95	99	99	99
Number of program attendees	6,291	8,447	7,601	8,125	9,248	10,394

*FY 2007 Performance Plan Evaluation* For customer service targets that we currently meet, we expect to continue that trend for most measures. For those that we have not met, we expect to see steady improvements in FY 2007. In 2007 we will make some modest resource adjustments to address our new strategic plan initiative to reduce the backlog of unprocessed holdings in an effort to make more of our holdings available for research. We will carefully monitor our customer service performance during this multi-year initiative.

3.2 ONLINE SERVICES

**FY 2006 Objectives**

- Ensure 60 percent of NARA services are available online.

**Results**

- ✓ We ensured that 52 percent of NARA services are available online.
- ✓ We received nearly 33 million online visits to NARA websites.

*Discussion* We recognize that the Internet is an important tool in providing essential services to the public and making records available to historians, teachers, researchers, and family genealogists. Our goal is to provide more and more of our services online, so that visitors to the National Archives can come in the doors or visit us on the Internet with equal ease.

While we fell short of our target this year, we have made significant progress in providing the online services our customers most care about in a relatively short period of time. Visitors to our websites can now locate descriptions for more than 50 percent of our holdings in a NARA-wide online catalog. They can apply for a job or learn how to apply for a grant. They can order records and in a few months will be also able to purchase items from our online store. Family historians can learn how to take care of their precious family records, and Federal agencies can learn how to preserve their growing electronic holdings. Researchers can access digitized records or online databases. People can learn about our programs, hours of our facilities around the country, ask a question, comment on a rule, register for a public program, and view an online exhibit.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Online visits to NARA's web sites (in	16,106	19,538	30,943	30,428	26,715	32,951

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thousands)*						
Cost to provide NARA services online per visit	–	–	\$0.16	\$0.13	\$0.17	\$0.10
<i>Performance target for percent of NARA services available online</i>	–	20	30	40	50	60
Percent of NARA services available online	24	25	30	40	50	52
Number of NARA services online	29	30	36	48	60	62

*\*In 2005 we upgraded the tool we use to collect our online visit statistics (WebTrends). The new version of this product does not count agents that index our site constantly (agents from search engines, for instance). As a result, while our overall online visit count since 2005 is lower we now have a total that more accurately reflects the number of actual visits to our sites.*

*FY 2007 Performance Plan Evaluation* Our customers are telling us that they want to be able to access more of our holdings online, and our new Strategic Plan takes us in that new direction. While we will continue to track the percent of our services online, we will no longer set a target for those services. Instead, our performance measures will focus on the quantity of the holdings and satisfaction of our customers as more of our records become available online, either in “born digital” formats or paper holdings that we digitize.

3.3 ONLINE CATALOG

**FY 2006 Objectives**

- Describe 50 percent of NARA traditional holdings in the Archival Research Catalog.
- Describe 50 percent of NARA artifact holdings in the Archival Research Catalog.
- Describe 20 percent of NARA electronic holdings in the Archival Research Catalog.

**Results**

*“I can't wait until you have everything in there!”*

*“ARC is great! Records are very easy to access.”*

- We described 51 percent of NARA traditional holdings in the Archival Research Catalog.
- We described 57 percent of NARA artifact holdings in the Archival Research Catalog.
- We described 43 percent of NARA electronic holdings in the Archival Research Catalog.

*Discussion* We continued our agency-wide description work this year and our online catalog now contains descriptions of more than 50 percent of our holdings at the series level. The cross-NARA effort this year more than doubled the amount of work accomplished when compared with last year. ARC now contains descriptions of more than 1.6 million cubic feet of traditional records (51 percent of our traditional holdings), more than 300,000 artifacts (57 percent of our artifacts), and 4.5 billion logical data records (43 percent of our electronic records).

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In FY 2006, we added 13,451 series to ARC. Although the average series size has dropped from 94 cubic feet in FY 2004, to 50 cubic feet in FY 2005, to 28 cubic feet per series in FY 2006, we made the goal by more than doubling our description efforts.

Archivists create and use a variety of finding aids that provide lists of files for particular series. These finding aids may be in the form of word processing documents, spreadsheets or databases. We developed a tool that can take the file information from any of these finding aids and convert them into file unit records in ARC. This is a remarkably efficient way to leverage previous work and to provide detailed, searchable information on the web, a huge value to our researchers. After adding more than 350,000 file units this year, ARC now includes more than 715,000 file units.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Percent of nationwide archival holdings described in an online catalog	13.2	—	—	—	—	—
Cubic feet of archival holdings (in thousands)	2,915	—	—	—	—	—
Cubic feet of archival holdings described in an online catalog	386	—	—	—	—	—
<i>Performance target for traditional holdings in an online catalog</i>	—	20	25	30	40	50
Percent of traditional holdings in an online catalog	—	19	20	33	43	51
Number of traditional holdings described in an online catalog (thousands of cubic feet)	—	550	602	1,033	1,366	1,671
Number of traditional holdings in NARA (thousands of cubic feet)	—	2,890	3,025	3,157	3,167	3,299
<i>Performance target for artifact holdings in an online catalog</i>	—	20	25	30	40	50
Percent of artifact holdings in an online catalog	—	19	17	40	43	57
Number of artifact holdings described in an online catalog (thousands of items)	—	90	90	215	233	309
Number of artifact holdings in NARA (thousands of items)	—	470	528	540	544	544
<i>Performance target for electronic holdings in an online catalog</i>	—	0	0	5	10	20
Percent of electronic holdings in an online catalog	—	0.02	0.02	10	31	43
Number of electronic holdings described in an online catalog (millions of logical data records)	—	1	1	535	2,539	4,517
Number of electronic holdings in NARA (millions of logical data records)	—	3,714	4,743	5,629	8,108	10,547
Number of ARC users (in thousands of user hits*)	—	713	1,884	—	—	—
Number of ARC users (in thousands of visits*)	—	—	—	158	286	254

\* *Online visits: One person using our web site is counted as one "visit." It is a count of the number of visitors to our web site, and is similar to counting the number of people who walk through our front door. In contrast, it does not count "hits," which refers to the number of files used to show the user a web page. A visit in which a user accessed a web page comprising 35 files would count as one visit and 35 hits. Counting visits is a more accurate way of showing how much use our web site is getting than counting hits.*

*FY 2007 Performance Plan Evaluation* We anticipate meeting our targets set for 2007. However, much of the description work occurring over the past several years has been for larger series that represent considerably more holdings and get more of our holdings into ARC quickly. As we move forward to other smaller records series, representing smaller numbers of holdings, but more description work, our performance may diminish simply because the methodology for measuring our performance does not recognize the size of a series. We must use this methodology, however, because until archival holdings are processed, we do not know how many series are contained in the materials.

**3.4 GOVERNMENT-WIDE DECLASSIFICATION**

**FY 2006 Objectives**  Ensure that 95 percent of the FY 2004 baseline of Government-wide holdings of classified records 25 years old or older are declassified, properly exempted, or appropriately referred.

**Results** ✓ We ensured that 95 percent of the FY 2004 baseline of Government-wide holdings of classified records 25 years old or older were declassified, properly exempted, or appropriately referred.

*Discussion* Cooperation from Federal agencies to meet the deadlines in Executive Order 12958, as amended, continues to be our greatest challenge. While we expect most agencies will make the December 31, 2006, deadline to declassify, properly exempt, or appropriately refer their classified records 25 years old or order, we continue to have serious concerns about whether all the agencies will be able to process the referrals of equities by December 31, 2009, and special media by 2011.

We continue to work with all executive branch agencies, especially those that submitted inadequate declassification plans last year. While our initial review is complete, we will continue to meet with senior officials to encourage compliance with the program, which requires refinement of their declassification plans and enhancements to their programs. We have also established dialogues between agencies with similar concerns and encouraged participation in the External Referral Working Group (ERWG), an interagency working group originally created within the Intelligence Community to address the declassification issues presented by E.O. 12958, as amended. We also developed a declassification guide for use as a model to assist agencies in developing their own declassification guides.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006*</b>
Number of pages declassified Government-wide (in millions of pages)	100.1	44.4	43.1	28.4	29.5	TBD
Per page cost of Government-wide declassification	\$2.32	\$2.55	\$1.25	\$1.70	\$1.93	TBD
Total cost of declassification Government-wide (in millions of dollars)	\$231.9	\$112.96	\$53.8	\$48.3	\$57.0	TBD

\*FY 2006 data will be collected from Federal agencies and reported to the President in 2007.

*FY 2007 Performance Plan Evaluation* Meeting the targets set forth in E.O. 12958, as amended, will be very challenging. Security concerns related to the war on terrorism may lead to the withholding of additional records. Agencies' cooperation is essential in identifying the records subject to automatic declassification, impediments to meeting the new deadline, and solutions to these impediments.

3.5 NARA DECLASSIFICATION  
**FY 2006 Objectives**

- Ensure that 95 percent of the FY 2004 baseline of NARA archival holdings of classified records 25 years old or older are declassified, properly exempted, or appropriately referred.
- Scan 500,000 pages of Presidential archival materials eligible for declassification review as part of the Remote Archives Capture project.

**Results**

- ✓ We completed a multi-year effort to review for declassification all classified material in our Presidential holdings through the Carter administration, in compliance with E.O. 12958, as amended.
- ✓ We indexed 208,000 Federal records for referral to other equity holding agencies.
- ✓ We resolved the status of more than 7,000 cubic feet (more than 17 million pages) of Federal classified records in our holdings that are subject to automatic declassification on December 31, 2006, for which no equity holder had taken action.
- ✓ We scanned 500,000 pages of Presidential archival materials eligible for declassification review as part of the Remote Archives Capture project.

*Discussion* Executive Order 12958, as amended, requires the declassification of material 25 years old unless specifically exempt. The Government protects millions of classified documents at great expense, including more than 390 million pages in our Washington, DC, area facilities and 38 million pages in Presidential Libraries. The majority of these documents more than 25 years old no longer require classified protection and can and should be accessible to citizens as part of the history of our nation. This year we reviewed 830,000 pages of classified material, declassified 178,000 pages, and released nearly 652,000 pages for access by the public. Since 1996, NARA has processed and released close to 460 million pages of Federal records, working in partnership with the agencies that originated the records. Over the years, NARA has processed more than 1.1 billion pages of national security classified Federal records, resulting in the declassification and release of 91 percent of the records.

The Interagency Referral Center (IRC), our system designed to support the process of agency review of referred materials in Federal records that are part of the National Archives, indexed more than 1 million pages this year for referral. By handling referrals through the IRC, NARA retains physical and intellectual control of the records. The IRC provides access to agency reviewers and allows us to prioritize the order in which referrals are processed so we can deal with records of high research interest in a timely



manner. The IRC supports a standard method for recording agency decisions, ensuring that when NARA staff process the records for release or exemption, the agency determination will be clearly understood and NARA will avoid inadvertent releases of still sensitive information.

Progress on our multi-year effort to review and declassify Presidential records (or refer for declassification) marked the completion of all classified material in our holdings through the Carter administration to comply with the deadlines associated with the Executive Order. Of the more than 200,000 pages of material more than 25 years old awaiting review at the beginning of this year, our staff reviewed all of it, declassifying and releasing nearly 90,000 pages. For classified materials in the Presidential library system for which we have no delegated declassification authority, we continue to work in partnership with the Central Intelligence Agency (CIA) to prepare and scan classified materials for distribution to agencies with equities in the documents.

This year, we initiated a National Declassification Initiative pilot to establish a more efficient and effective means for the referral of classified equities between Executive branch entities, particularly with the high concentration of referrals at the National Archives at College Park. The goals of the program are to preclude redundancies in security reviews, promote accuracy and consistency in declassification decisions, improve equity recognition, develop centralized priorities and databases, and enhance transparency to the public. More information about NARA's declassification efforts can be found at [www.archives.gov/declassification/](http://www.archives.gov/declassification/).

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Backlog of Federal records requiring declassification at start of year (in thousands)	25,029	20,979	18,980	25,581	25,020	25,483
<i>Performance target for annual percent of Federal records NARA reviewed that are more than 25 years old for which NARA has declassification authority</i>	50	85	90	—	50	95
Annual percent of Federal records NARA reviewed that are more than 25 years old for which NARA has declassification authority	9	12	7	2	2	2
Backlog of Presidential materials requiring declassification at start of year (in thousands)	1,562	1,240	960	806	668	218
<i>Performance target for annual percent of Presidential records NARA reviewed that are more than 25 years old for which NARA has declassification authority</i>	25	85	90	—	50	95
Annual percent of Presidential records NARA reviewed that are more than 25 years old for which NARA has declassification authority	21	23	16	17	67	104
Annual number of Federal pages reviewed (in thousands)	2,129	2,490	1,257	547	605	602
Annual number of Federal pages declassified (in thousands)	807	402	340	116	35	89
Annual number of Federal pages released (in thousands)	1,788	2,184	1,092	994	527	562
Annual number of Presidential pages reviewed (in thousands)	322	280	154	138	449	228
Annual number of Presidential pages declassified (in thousands)	219	119	71	94	78	89

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<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Annual number of Presidential pages released (in thousands)	207	182	71	94	78	89
<i>Performance target for annual number of Presidential pages scanned (in thousands)</i>	300	300	600	300	300	500
Annual number of Presidential pages scanned (in thousands)	322	332	470	500	563	506
Cost per page declassified (Federal and Presidential)	--	--	\$23.44	\$24.29	\$27.60	TBD*

\*Declassification costs are derived from annual reports submitted to ISOO. We receive this report approximately nine months after the fiscal year measured.

*FY 2007 Performance Plan Evaluation* Meeting the targets of Executive Order 12958, as amended, will be a significant challenge.

3.6 PRESIDENTIAL RECORDS

**FY 2006 Objectives**

- Process an additional 1 percent of Clinton Presidential and Vice Presidential records.
- Opened processed Clinton Presidential and Vice Presidential records on January 20, 2006.

**Results**

- ✓ We processed an additional 178 cubic feet of Clinton Presidential and Vice Presidential records.
- ✓ We opened processed Clinton Presidential and Vice Presidential records on January 20, 2006.

*Discussion* The Presidential Records Act requires Presidential records to be available for Freedom of Information Act requests five years after the President leaves office. We opened processed Clinton Presidential records on January 20, 2006. All Clinton Presidential records became subject to FOIA requests on January 20, 2006, as well. To date, about 3 percent have been opened. Since opening the holdings to FOIA requests, the Library has accumulated 236 requests in its FOIA queue, and now has a backlog similar to the multi-year backlogs at the Reagan and Bush Libraries. Our ability to respond to these FOIA requests will be the primary challenge to our ability to provide access to Clinton Presidential records.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for cumulative percent of Clinton Presidential and Vice Presidential traditional records processed for opening January 20, 2006</i>	1	3	3	5	5	6
Cumulative percent of Clinton Presidential and Vice Presidential traditional records processed for opening January 20, 2006	1	1	1	2	3	3
Cumulative cubic feet of Clinton Presidential and Vice Presidential traditional records	28,925	28,925	37,686	39,049	36,589	36,589
Cumulative cubic feet of Clinton Presidential and Vice Presidential	291	291	291	752	944	1,122

<b>Performance Data</b>	2001	2002	2003	2004	2005	2006
traditional records processed for opening						
<i>Performance target for cumulative percent of Clinton Presidential and Vice Presidential electronic records processed for opening January 20, 2006</i>	0	0	0	0	0	0
<i>Performance target for cumulative percent of Clinton Presidential and Vice Presidential artifacts processed for opening January 20, 2006</i>	0	0	0	0	0	0

*FY 2007 Performance Plan Evaluation* We will continue to devote our resources to archival processing. Our new Strategic Plan describes the challenge of addressing a growing backlog of unprocessed holdings. New measures are under development to quantify processing progress for all NARA archival holdings, not just Clinton records. This measure will be subsumed under the larger NARA-wide measure next year.

**3.7 NHPRC GRANTS**

**FY 2006 Objectives**

- 88 percent of all NHPRC-assisted projects produce results promised in grant applications approved by the Commission.

**Results**

- We delivered 88 percent of the results promised in all NHPRC-assisted projects grants approved by the Commission.

*Discussion* We met our target for successful completion of grant projects. This year we completed 89 projects, 78 of which produced the results promised in their grant applications. Roughly 40 percent of the projects were publications efforts, and approximately 60 percent were records projects.

From the work accomplished this year, nearly 29,000 cubic feet of records were reported by grantees to be preserved and made accessible, and 19 documentary editions were published. We continued posting NHPRC grant opportunities on the Government-wide *Grants.gov* web site and made grant application forms available on our *Archives.gov* web site. We simplified the process for our grantees by accepting alternate means, such as fax, for the transmission of interim reports and requests. We streamlined our grant guidelines and made our application packages available for online applications using the *Grants.gov* portal. In addition, we completed a business process engineering study and pursued several internal process improvements.

For a more comprehensive list of NHPRC-funded grants products, visit [www.archives.gov/nhprc/publications/](http://www.archives.gov/nhprc/publications/).

<b>Performance Data</b>	2001	2002	2003	2004	2005	2006
<i>Performance target for percent of NHPRC grant-funded projects produced results promised in grant applications</i>	84	84	85	86	87	88
Percent of NHPRC grant-funded projects that produced results promised in grant applications	91	79	86	88	85	88
Number of NHPRC-assisted projects completed	115	104	72	96	107	89
Number of NHPRC-assisted projects that produced the results promised	105	82	62	84	91	78
Number of traditional records preserved and	—	—	—	1,803	9,434	2,875

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<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
made accessible through our grants projects (in cubic feet)						
Number of documentary editions published through our grants project (in volumes)	–	–	–	14	6	19
Percent of NARA's grants announced on <i>Grants.gov</i>	--	–	–	100	100	100

*FY 2007 Performance Plan Evaluation* The Commission and its staff are committed to projects that will stretch the archival, documentary editing, and electronic records communities, encouraging them to take risks. While this will produce many more useful products, it increases the possibility of projects being rated unsuccessful in meeting their criteria.

**Strategic Goal 4: Space and Preservation**

*All records are preserved in an appropriate environment for use as long as needed.*

**Long-Range  
Performance Targets**

- 4.1. By 2009, 100 percent of NARA's archival holdings are in appropriate space.
- 4.2. By 2009, 100 percent of NARA records centers comply with the October 2009 regulatory storage standards.
- 4.3. By 2007, 50 percent of NARA's at-risk archival holdings are appropriately treated or housed so as to retard further deterioration.

**FY 2006 Resources Available to Meet This Goal:** \$67,521,000; 157 FTE

4.1 ARCHIVAL HOLDINGS IN APPROPRIATE SPACE

**FY 2006 Objectives**

- Study alternatives for location of a new Southwest Regional Archives facility.
- Study alternatives for a location of a new Central Plains Regional Archives facility.
- Accept final design of Pacific Alaska Regional Archives and Records Center.
- Identify specific holdings within NARA to be transferred to the new National Personnel Records Center.
- Complete certification of existing Nixon Library building.
- Transfer Nixon artifact holdings from Laguna Niguel, CA and College Park, MD, to Nixon Library in Yorba Linda, CA
- Complete 50 percent of the design of the Roosevelt Library renovation.
- Complete design of Kennedy Library renovation and expansion.

**Results**

- ✓ We studied alternatives for location of a new Southwest Regional Archives facility.
- ✓ We studied alternatives for a location of a new Central Plains Regional Archives facility.
- ✓ We have completed 95 percent of the final design

specifications for the Pacific Alaska Regional Archives and Records Center.

- ✓ We identified specific holdings within NARA to be transferred to the new National Personnel Records Center.
- ✓ We completed the first of two phases in the renovation of the Nixon Library.
- ✓ We awarded the move contract for the transfer of Nixon Library materials and began to ship artifact holdings to Yorba Linda.
- ✓ We completed 35 percent of the design of the Roosevelt Library renovation.
- ✓ We have 75 percent of the design documents for the Kennedy Library renovation.

*Discussion* By the end of 2007, NARA must relocate from two General Services Administration (GSA) spaces that house our regional archives operation in Fort Worth, TX, and Kansas City, MO. GSA is terminating the leases on both substandard facilities, located in Federal warehouse depots. To meet archival storage standards and provide appropriate, secure public access to archival services, we plan to move most of the records to archival storage in a new Southwest Regional Records Center and subterranean storage operated by the Federal Records Center Program in the Kansas City area. We studied a variety of alternatives for location of a new Southwest Regional Archives facility in the Fort Worth area and a new Central Plains Regional Archives facility in the Kansas City area.

The final design is nearly complete for the new Pacific-Alaska Regional Archives and Records Center. This new facility will provide space for researchers and genealogists, as well as programs and training, and when complete will be compliant with our 2009 storage standards.

Current facilities of the National Personnel Records Center (NPRC), the largest NARA operation outside the Washington, DC, area with more than 4 million cubic feet of records, do not meet our storage standards for record center and archival records. While the location of a new facility has not yet been determined, we have developed a project plan to prepare the collection for an eventual move and identified all required actions to move the records from their current location to a new location. A new facility is part of the agency's facility replacement project to meet NARA's standards for archival and temporary storage.

As a result of legislation that allows for the creation of a federally-operated Richard Nixon Library, the Richard Nixon Library and Birthplace Foundation, with NARA's input, has undertaken a project to retrofit and expand the existing Nixon Library in Yorba Linda, CA. The first phase of the project involved retrofitting the basement of the Loker Center for museum collections storage, artifact processing, and a registrar's office. The second phase, expected to finish in early FY 2007, completes archival office areas, processing rooms, and the research room. We began moving Nixon materials from

storage in Laguna Niguel, CA, and College Park, MD, to the renovated Library in August. Certification of the existing Library and its acceptance into the Presidential Library system that NARA oversees is expected in early FY 2007, and design has begun for an addition to the library.

The renovation of the Roosevelt Library is 35 percent complete. A new exhibit designer has been selected and continued renovation design work must wait until the exhibit design is complete because of its central placement in the renovated building. The design for the Kennedy Library renovation and expansion fell behind schedule while soil testing was conducted at the site of the proposed expansion. Depending on the outcome of these tests, final design will proceed in FY 2007.

Our cost per cubic foot to store our archival holdings this year was \$6.42, roughly the same as last year's cost. As we work to lower our storage costs while bringing more facilities into compliance with our archival storage standards, we face a number of factors that work against that goal, including rising rent costs, higher utility rates, and the costs associated with maintaining security at our facilities. We are following a strategy of leasing storage facilities separate from our public use facilities. We can balance our costs by locating our public use facilities in areas where they reach the greatest number of possible users while leasing facilities designed for long-term storage in lower-cost areas.

<b>Performance Data</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Percent of archival traditional holdings in appropriate space	–	52	53	57
Number of archival traditional holdings (in thousands of cubic feet)	3,025	3,100	3,167	3,299
Percent of artifact holdings in appropriate space	-	42	42	42
Number of artifact holdings (in thousands)	528	540	544	544
Number of electronic holdings in appropriate space	–	100	100	100
Electronic holdings (in billions of logical data records)	4.7	5.6	8.1	10.5
Cost of archival storage space per cubic feet of traditional holdings stored	–	\$6.11	\$6.48	\$6.42

*FY 2007 Performance Plan Evaluation* We expect to continue to stay within budget and schedule targets for our facility projects.

4.2 NARA RECORDS CENTER HOLDINGS IN APPROPRIATE SPACE

- FY 2006 Objectives**
- Complete move into new records center facility in Atlanta.
  - Complete move into new records center facility in Riverside, California.
- Results**
- ✓ We completed the move into the new records center facility in Atlanta.
  - ✓ We completed the move into the new records center facility in Riverside, California.

*Discussion* We are in the process of upgrading our records center facilities to meet 2009 regulatory storage standards or relocating to new facilities that are built to meet those standards. These standards are in place to ensure that Federal records are protected whether they are stored by NARA, another Federal agency, or the private sector. We

developed a facility repair plan to bring our records centers into compliance with regulatory storage standards. This plan included the facility assessments that have been done to certify that space meets required storage standards.

The construction of a new records center facility in Atlanta enabled us to consolidate the records and operations of three facilities in East Point, Birmingham, and Palmetto into one facility with storage space that meets the storage standards for temporary records. Records previously stored in a building constructed as office space in Laguna Niguel, CA, are now stored at the newly opened storage facility in Riverside, California. This building and the facility in Atlanta are the first to meet the environmental, fire protection, and security standards that we set for storage of temporary records. The cost efficiencies of these buildings make it possible for us to charge a very competitive market rate for the storage of Federal records.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Percent of NARA records center buildings certified as complying with the October 2009 regulatory storage standards	–	–	–	0	9	9
Volume of records center holdings (cubic feet in millions)	22.6	23.1	23.2	24.1	24.6	25.1
Storage price per cubic foot for records center holdings	\$1.96	\$2.00	\$2.10	\$2.16	\$2.16	\$2.28

*FY 2007 Performance Plan Evaluation* We expect to continue to stay within budget and schedule targets for our facility projects. We will continue with certification of NARA records center buildings as we bring them into compliance with October 2009 regulatory storage standards.

**4.3 PRESERVATION OF AT-RISK HOLDINGS**

**FY 2006 Objectives**

- Appropriately treat or house 33 percent of NARA’s at-risk archival holdings to retard further deterioration.
- Inventory and rehouse an additional 30 percent of Official Military Personnel Files (OMPF).

**Results**

- ✓ We appropriately treated or housed 33 percent of NARA’s at-risk archival holdings to retard further deterioration.
- ✓ We inventoried and rehoused an additional 35 percent of OMPFs.

*Discussion:* To ensure that archival records are preserved for as long as possible, we regularly assess their preservation needs, provide storage conditions that retard deterioration, and treat, duplicate, or reformat records at high risk for deterioration.

During an internal review of our at-risk preservation metric, we discovered that process improvements were needed to track our progress in addressing the records of highest concern. To get a better picture of our overall preservation challenges, we need to also track those medium and low-risk records that are getting treatment. We developed new measures and targets this year to leverage where resources should be applied and how effectively we are meeting our goals. We exceeded our goal of treating 33 percent of the



at risk records by treating 40 percent of those records which were in danger of being lost forever.

At our National Personnel Records Center in St. Louis, the records of the service of our 20<sup>th</sup> century military veterans require immediate preservation attention. These records comprise more than 3 billion pages in 1.5 million cubic feet of space, and represent the records of more than 56 million service men and women since 1885. In a 2003 assessment of OMPF's in St. Louis, we learned that 85 percent of the OMPF's contain paper-based formats that deteriorate very quickly. In addition, we discovered that these files contained more than 30 other types of media or information formats, including metal dog tags, hair samples, blood strips, rifle targets, and plastic ID cards. The majority also have some type of damage, such as tears, embrittlement, burns, mold, and folding. As a result, reformatting these records to ensure their long-term preservation is a massive challenge. As we accession these important records into the National Archives as permanent records, we are treating them to preserve their life. The first 20,000 cubic feet of records were accessioned in 2004. To date, we have treated 41 percent of the collection, including the most fragile of these files, a collection of military service records that dates from 1885 and contains service records prior to World War II.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for percent of cumulative backlog ever treated</i>	30	32	36	40	43	33
Percent of cumulative backlog ever treated	28	32	35	41	47	40
Start-of-year backlog volume of at-risk archival holdings (thousands of cubic feet)	197	174	189	181	165	287
Volume of at-risk archival holdings that received conservation treatment this year (thousands of cubic feet)	26	11	17	19	27	29
Cumulative volume of at-risk archival holdings in cold storage (thousands of cubic feet)	63	67	74	80	86	90
Percent of start-of-year remaining backlog treated this year	16	7	9	10	17	10
<i>Performance target for cumulative percent of OMPF's inventoried and rehoused.</i>	—	—	—	—	8	35
Cumulative percent of OMPF's inventoried and rehoused.	—	—	—	—	5	41

*FY 2007 Performance Plan Evaluation* Due to the volume and overall poor condition of the first accession of OMPF's, we will count the preservation of the OMPF's separately from the backlog of at-risk holdings waiting for treatment. As a result of significant increases in the cumulative backlog resulting from an assessment we conducted in FY 2006, we have adjusted our long range performance target and our annual targets to reflect these challenges.

### Strategic Goal 5: Infrastructure

*NARA strategically manages and aligns staff, technology, and processes to achieve our mission.*

**Long-Range**

**Performance Targets**

5.1. By 2008, the average time a leadership position remains unfilled is 30 days or less.

5.2. By 2007, the percentages of NARA employees in underrepresented groups match their respective availability levels in the Civilian Labor Force.

5.3. By 2007, NARA accepts 100 percent of the validated legal documents submitted electronically for publication in the *Federal Register*.

5.4. By 2008, all public network applications are available 99.9 percent of the time.

**FY 2006 Resources Available to Meet This Goal:** \$34,274,000; 123 FTE

5.1 RECRUITMENT AND DEVELOPMENT

**FY 2006 Objectives**

- Expand management trainee program to additional NARA records centers.
- Fill leadership positions in an average time of 70 days or less.
- Create a workforce planning process that enables managers to better plan recruiting for leadership and other positions.
- Maintain 95 percent of staff development plans linked to strategic outcomes.
- Maintain 95 percent of employee performance plans linked to strategic outcomes.

**Results**

- ✓ We expanded the management trainee program to four additional NARA records centers.
- ✓ We filled leadership positions in an average time of 42 days.
- ✓ We created workforce planning tools, enabling managers to improve recruiting.
- ✓ We linked 76 percent of staff development plans to strategic outcomes.

- ✓ We linked 93 percent of employee performance plans to strategic outcomes.

*Discussion:* To address the critical issue of retention of high-performing employees, succession planning, and the need for management training in our records center facilities, we developed a management intern program to train staff for management positions. This three-year program for selected interns provides them with training, increasingly complex assignments in a variety of record center positions, and a rotational assignment. We initially planned to offer this program in four regions. The available slots for the program were filled by the first two regions that participated, and the first of these interns will graduate from the program in 2007. As we assess the future of the program, we may offer it in more regions.

We filled leadership positions in an average time of 43 days, exceeding our goal of 70 days. Compared with 82 days to fill leadership positions in FY 2005, we have made substantial progress in keeping leadership positions filled. To assist staff in conducting interviews, we developed a pilot course on interviewer skills and techniques and posted the final training products on our web site. An Interviewer Skills Guide was designed to bring together, in a single document, the information managers and supervisors need to effectively engage in the interviewing process.

We fell just short of our goal this year, linking 93 percent of NARA employee performance plans directly to our Strategic Plan, but we were slightly ahead of last year. While we also fell short on linking staff development plans to the Strategic Plan, more than three-quarters of our staff chose to create these development plans that will enable them to learn new competencies and broaden their knowledge base. These opportunities are carried out through research or study time, cross-training, short details to other offices, training courses, and other creative approaches that support Strategic Plan strategies and tactics.

<b>Performance Data</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for average time (in calendar days) to fill a leadership position.</i>	–	–	–	80	70
Average time (in calendar days) to fill a leadership position	–	–	90	82	43
<i>Performance target for percent of staff having performance plans that link to strategic outcomes</i>	95	95	95	95	95
Percent of staff having performance plans that link to strategic outcomes	80	93	91	92	93
Number of NARA staff having performance plans that link to strategic outcomes	2,497	2,884	2,826	2,843	2,882
<i>Performance target for percent of permanent staff having staff development plans that link to strategic outcomes</i>	50	95	95	95	95
Percent of permanent staff having staff development plans that link to strategic outcomes	1	91	52	78	76
Number of NARA staff having staff development plans that link to strategic outcomes	7	2,435	1,401	2,073	2,044
Number of NARA permanent staff	2,733	2,682	2,704	2,671	2,680

*FY 2007 Performance Plan Evaluation* We anticipate that we will meet our FY 2007 targets and expect to see continued progress toward our ability to move rapidly and effectively fill leadership positions in an average of 30 days.

5.2 EQUAL EMPLOYMENT OPPORTUNITY

**FY 2006 Objectives**

- ❑ Ensure the percentages of NARA employees in underrepresented groups match 90 percent of their respective availability levels in the Civilian Labor Force.
- ❑ Increase the percentage of underrepresented groups in pools of applicants from which to select candidates for positions in grades 13 and above over the percentage in FY 2005.

**Results**

- ✓ We employed people in underrepresented groups so that our percentages matched at least 80 percent of the national averages in three out of six underrepresented groups.
- ✓ 86 percent of our applicant pools for positions in grades 13 and above contained candidates from underrepresented groups.

*Discussion:* Our country's history is a common ground and national treasure for all our citizens. We recognize the need to represent every part of America in our workforce. To accomplish this, we build recruitment strategies based on how our microcosm compares to the nation's workforce. We provide equal opportunities in management by focusing on recruitment to increase the number of applicants from underrepresented groups represented in our applicant pools for positions in grades 13 and above. This year we missed our goal, with 86 percent of our applicant pools containing self-identified minorities. This year we changed how we measured applicants, only counting applicants who submitted complete applications.

Our goal was to reflect at least 90 percent of the diversity of those industry workforce populations that do the same kind of work that we do. We came very close to our target with by reflecting 88 percent of workforce diversity by women. We continue to exceed the industry standard for blacks at 299 percent, but we missed our targets this year for American Indian (51 percent), Asian (61 percent), and Hispanic (8 percent) groups. Our overall minority representation remained well above that in the industry, at 146 percent. In addition, we met our target for reflecting a workforce with targeted disabilities with self-reporting by 1.5 percent of our workforce.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups</i>	64	75	79	90	93	95
Percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups	74	78	89	92	94	86
Number of applicants for positions at grades GS-13 and above	–	1,779	1,177	1,783	1,725	562
Number of applicant pools for positions in grades GS-13 and above	53	101	85	143	153	71
Number of pools for positions in grades GS-13 and above that had self-identified applicants in underrepresented groups	39	79	76	132	144	61
Percent of Civilian Labor Force rate used to determine if underrepresented groups met employment target	50	60	65	70	80	90
Percent of employees who have received diversity training	27	52	72	66	62	57
Underrepresented groups of employees meeting target (checkmark indicates target met or exceeded)						
– Women	✓	✓	✓	✓	✓	
– Black	✓	✓	✓	✓	✓	✓
– Latino-Hispanic						
– Asian American/Pacific Islander	✓	✓	✓	✓		
– American Indian/Alaskan Native		✓	✓	✓		
– Targeted disability	✓	✓	✓	✓	✓	

*FY 2007 Performance Plan Evaluation* Further examination of our processes for announcing vacancies and hiring will help us determine where we are falling short in meeting our targets for certain underrepresented groups.

**5.3 FEDERAL REGISTER PRODUCTION**

**FY 2006 Objectives**

- Accept validated legal documents submitted electronically for publication in the *Federal Register* from all agencies.
- Manage 75 percent of all *Federal Register* documents electronically using eDOCS.

**Results**

- “We are eager to participate in eDOCS!”*

✓ Any agency registered may submit documents to the *Federal Register* electronically.
- “The e-CFR is the best governmental code access tool I have ever seen.”*

✓ By year-end, we managed 75 percent of all *Federal Register* documents electronically using eDOCS.
- ✓ More than 157 million retrievals of *Federal Register* documents were made in FY 2006.

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*Discussion:* We continued deployment of the *Electronic Editing and Publishing System* (eDOCS) into our daily *Federal Register* publication production operations in FY 2006. We now accept electronic documents from all Federal agencies. This year we received more than 31,000 documents and managed more than 18,000 documents electronically via eDOCS. By the end of the year we were routinely managing about 75 percent of these documents electronically.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<i>Performance target for percent of documents Federal Register manages electronically using eDOCS.</i>	–	–	–	–	50	75
Percent of documents <i>Federal Register</i> manages electronically using eDOCS (by year end)	–	–	–	15	22	75
Number of documents NARA manages electronically using eDOCS	–	–	–	3,032	7,066	18,316
Number of documents published in the <i>Federal Register</i>	32,036	33,055	32,066	32,417	32,420	31,185
Percent of documents submitted for publication electronically	–	–	–	9	13	10
Number of documents submitted for publication electronically	–	–	–	3,032	4,142	3,258
Number of public inspection documents available to the public electronically	–	–	–	3,032	9,173	21,179
Number of official <i>Federal Register</i> documents retrieved online (in millions)	163	150	160	208	174	317

*FY 2007 Performance Plan Evaluation* We plan to accept validated legal documents submitted electronically for publication in the *Federal Register* from all agencies and routinely manage at least 75 percent of all *Federal Register* documents electronically using eDOCs. These goals are linked to our ability to cross-certify agencies' Certificate Authorities using the Federal Bridge Certification Authority (FBCA). We will also continue to participate in the development of online rulemaking tools for agencies and the public, and interagency process integration, including partnership with the Government Printing Office (GPO).

5.4 INFORMATION TECHNOLOGY

**FY 2006 Objectives**

- Public network applications are available 98 percent of the time.
- Upgrade physical security of NARA's computer infrastructure at remaining NARA locations.

**Results**

- ✓ We ensured that public network applications were available 98 percent of the time.
- ✓ We rolled-out upgrades to physical security of NARA's computer infrastructure at all NARA locations.

*Discussion:* A great deal of our success rides on the performance of our technological resources. In an increasing digital world, our ability to communicate with our customers, provide our nation with access to digital records and research tools, and open “Internet doors” to archival records, all depend on the reliability and security of our IT systems. The growth in customers using our public network applications, nearly doubling in two years, points to the importance of having reliable, secure applications available when the customer wants to use them.

To that end, over the past year we completed a major upgrade of NARANET, our computer network, upgrading our operating system, replacing network servers, and upgrading our e-mail system. In addition, we upgraded server racks and updated procedures for securing them at our College Park facility. We also enforced procedures for securing racks at all NARA regional locations. In addition, we finished a multi-year upgrade of our telecommunications system across the country.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Percent of public network availability	99.9	100	100	100	99.9	100
<i>Performance target for percent availability of public applications</i>	–	–	–	96.5	97.0	98.9
Percent of public network applications availability	–	–	–	98.7	98.9	98.9
Number of total hours that any public network application was unavailable	–	–	–	1,047	923	830
Number of network users for public applications (in millions)	–	–	–	4.4	6.6	8.7
Cost per network user for public applications	–	–	–	\$0.29	\$0.24	\$0.27

*FY 2007 Performance Plan Evaluation* We will continue to improve the physical security of our computer infrastructure. We will also expand our continuity of operations planning to more functions and sites in our agency.

## FY 2006 PROGRAM EVALUATIONS

### ***Strategic Goal 1: Records Management***

There were no program evaluations specific to this strategic goal in FY 2006.

### ***Strategic Goal 2: Electronic Records***

Government Accountability Office, GAO-06-906, *Electronic Records Archives: The National Archives and Records Administration's FY 2006 Expenditure Plan*, August 18, 2006.

The GAO objectives in reviewing the plan were to (1) determine whether the plan satisfies the conditions specified in the law, (2) determine the extent to which NARA has implemented prior recommendations, and (3) provide any other observations about the expenditure plan and the ERA acquisition. In summary, GAO found that NARA's expenditure plan fully satisfies three of six legislative conditions, and the agency has fully implemented three of five prior year recommendations and has partially implemented the remaining two.

### ***Strategic Goal 3: Access***

Information Security Oversight Office (ISOO), *National Archives and Records Administration Special On-site Review of the Mandatory Declassification Review Program*, March 29, 2006.

ISOO conducted an on-site review of the mandatory declassification review (MDR) program as part of an Executive branch-wide assessment with respect to the effectiveness of MDR provisions outlined in E.O. 12958, as amended, and its implementing directive, 32 CFR Part 2001. NARA's MDR program addresses essential elements of a successful program, but ISOO specified four improvements, all of which have been made.

Office of Inspector General, *OIG Management Letter 06-03, Security Over Holdings in Stack Areas*, October 21, 2005.

This letter was written to formally advise the Archivist regarding status of security over NARA holdings specific to, but not limited to the National Archives Building. The general conditions defined in this management letter were pertinent to other NARA locations as well. The OIG made two suggestions to improve security over holdings at the National Archives Building and the National Archives at College Park, one of which is still open.

Office of Inspector General, *OIG Report 06-04, Review of NARA's Internal Control Procedures for Loan Items*, December 20, 2005.

The objective of this audit was to determine if loans were made in accordance with procedures established in NARA 1701 and 1702 and were protected from loss. The report made five recommendations, three of which are still open.



### **Strategic Goal 4: Space and Preservation**

Office of Administrative Services, *Physical Security and Life Safety Review*, July 2006.

The office conducted a review of the Pacific Regional Archives (Laguna Niguel, CA). One recommendation was made and remains open.

### **Strategic Goal 5: Infrastructure**

Government Accountability Office, GAO 440485, *Law Enforcement Function Review*, March 13, 2006.

The GAO Homeland Security and Justice Team is collecting data from more than 85 Federal agencies, including NARA. Data collected on the law enforcement function (in OIG) was: (1) job series of law enforcement officers, (2) authority for exercising law enforcement functions, and (3) training requirements for NARA law enforcement officers. Work on this engagement began in April 2006. NARA has responded to the two survey components sent to date. A third component is expected in FY 2007.

Office of Inspector General, OIG Report 06-01, *Audit of NARA's Network Perimeter*, December 15, 2005.

This audit of NARA's network perimeter was to determine whether the controls surrounding the boundary of NARA's network (NARANet) provide reasonable protection from external intruders. It contained seven new recommendations and an eighth recommendation that combined remaining open items from an FY 2004 program review and FY 2002 OIG audit report. Three of these recommendations remain open.

Office of Inspector General, OIG Report 06-09, *Review of NARA's Information Security Program*, August 9, 2006.

The overall objective of this review was to determine if NARA is making satisfactory progress establishing an information security program that includes appropriate controls required by Federal legislation. The report contained 12 recommendations.

Office of Inspector General, OIG Report 06-02, *Review of Modifications Made to the Performance-Based Task Order for Information Technology Support Services*, October 12, 2005.

This audit was undertaken to assess the appropriateness of modifications made to the contract task order awarded by NARA officials to acquire information technology support services. The report contained four recommendations, all are closed.

Office of Inspector General, OIG Management Letter 06-05, *Flawed Contract Performance Work Statement Could Have Adverse Impact on NARA's Budgetary Resources*, October 26, 2005.

The OIG recommended action to correct a task order statement of work. All actions have been taken.

Office of Inspector General, OIG Report 06-11, *Audit of NARA's System Administrator Rights and Controls*, July 11, 2006.

The objective of this audit was to determine whether NARA had instituted the appropriate controls, oversight, policies and procedures over system administrator accounts to ensure that NARA systems and information are properly secured. The report contained nine recommendations.

Office of Inspector General, OIG Report 06-14, *OIG Monitoring of the Novell Netware/GroupWise Upgrade Project*, June 20, 2006.

This advisory report was issued to advise the Archivist of the status of the Novell Netware/Group Wise Upgrade Project. As of June 13, 2006, it was the OIG's opinion that the project was progressing in a satisfactory manner. Also, as of that date, the OIG noted three unresolved issues that were being addressed by project personnel. There were no recommendations associated with this advisory report.

Office of Inspector General, OIG Report 06-15, *OIG Monitoring of the Novell Netware/GroupWise Upgrade Project*, September 11, 2006.

This is the second advisory report issued to advise the Archivist of the status of the Novell Netware/Group Wise Upgrade Project. It is the OIG's opinion that since their first report issued on June 20, the project has continued to progress in a satisfactory manner. The OIG notes that the project has encountered no major technical problems and may be completed ahead of the scheduled date of October 31, 2006. There are no recommendations associated with this advisory report.

### **Multi-Goal Evaluations**

Office of Inspector General, OIG Report 06-06, *Clifton-Gunderson LLP (CG) Audit of the National Archives and Records Administration FY 2005 Financial Statements*, December 9, 2005.

The Inspector General contracted with Clifton Gunderson (CG) to review financial statements as well as internal controls and operations. CG made 25 recommendations, for which complete documentation has been provided to the auditors for 15 recommendations, and partial documentation provided for an additional six recommendations.

Office of Inspector General, OIG Report 06-07, *Evaluation of Management Control Program for FY 2005*, December 21, 2005.

The Inspector General reviewed NARA's FY 2005 Management Control Program. No recommendations were made.

Office of the Inspector General, OIG Report 06-10, *Evaluation of NARA's Affiliated Archives Program*, August 9, 2006.

The overall objective of this project was to determine whether the Affiliated Archives Program was meeting its intended goal and function. The report contained six recommendations.

Office of Presidential Libraries, *Program Review*, November 28-30, 2005.

The office conducted a program review at the John F. Kennedy Library in Boston, MA. Of the eleven recommendations made, two remain open.

Office of Presidential Libraries, *Program Review*, April 4-5, 2006.

The office conducted a program review at the Ronald Reagan Library in Simi Valley, CA. The final report was issued in September 2006. There were 23 recommendations in this review, all of which remain open.

Office of Regional Records Services, *Program Review*, January 2006.

The office conducted a program evaluation of the Pacific Region the weeks of January 16 (Laguna Niguel, CA, and Riverside, CA) and January 23 (San Bruno, CA). There were five findings in these reviews, two of which remain open.

Office of Regional Records Services, *Program Review*, May 2006.

The office conducted a program evaluation of the Southeast Region. The one finding in this review remains open.

## Status of NARA Records Management Initiatives

In FY 2006, we made substantial progress in further implementing the strategies documented in NARA's FY 2003 issuance of *Strategic Directions for Federal Records Management*. The following table provides a brief description of the strategies and specific examples of how these strategies have benefited Federal agencies in the past fiscal year.

<p><b>Specific Strategy: Appraisal</b></p>	<p><b>Description:</b> The policy documents the strategic framework, objectives, and guidelines used to determine archival value. The policy provides general appraisal guidelines as well as guidelines for specific categories of records including personal data records, observational data from the physical sciences, and environmental health and safety records.</p>
<p><b>FY 2006 Benefits to Agencies:</b> We issued revisions to the Appraisal policy to define and address records with intrinsic value. We also updated the appendixes to include special considerations for R&amp;D records to provide more detail to the criteria for Environmental Health and Safety records.</p>	
<p><b>Specific Strategy: Custody</b></p>	<p><b>Description:</b> The policy addresses the authority and responsibility of the Archivist for physical and legal custody of permanent Federal records.</p>
<p><b>FY 2006 Benefits to Agencies:</b> We continued to pursue affiliated relationships with a focus on major Federal scientific agencies that collect, maintain, and disseminate scientific and technical information (STI) documenting Federal research and development projects. These collaborative relationships allow NARA and agencies to preserve, manage, and provide access to digital data collections with long-term retention periods.</p> <p>We continued to work closely with the National Technical Information Service (NTIS) to assist with the preservation of their microfiche and microfilm STI collections.</p>	
<p><b>Specific Strategy: Advocacy</b></p>	<p><b>Description:</b> We are actively engaging senior Federal agency officials in discussions and meetings on the importance of records management in the Federal government.</p>
<p><b>FY 2006 Benefits to Agencies:</b> We advocated records management from the highest level of the organization to Federal agency executives and senior leaders. The Archivist and the CIO Council hosted an agency forum to stress the importance of embedding records management into agency processes. This collaborative effort with speakers from OMB, FBI, and NARA highlighted efforts such as the FEA Records Management Profile and other e-records initiatives developed to improve the efficiency and productivity of agency business processes.</p> <p>Senior agency representatives throughout NARA organizations led or participated in more than 120 meetings, discussions, presentations, and conferences in FY 2006 to advocate and inform agency senior officials about the importance of records management at all levels of an organization.</p>	
<p><b>Specific Strategy: Training and Certification</b></p>	<p><b>Description:</b> NARA has developed a national training program in Federal records management. The program broadens our venue for offering training and offers a certificate of training in Federal records management to recognize participants' achievements in understanding core records management knowledge areas.</p>
<p><b>FY 2006 Benefits to Agencies:</b> We developed and offered nationwide, for the first time, new standard curricula for IT professionals, Program Managers, General Counsels, and Records Managers. More than 1,900 government personnel completed our online training course "Records Management for Everyone" hosted on OPM's GoLearn.gov website. More than 160 agency personnel received the Certificate of Federal Records Management training. The certificates were issued to personnel who have successfully completed training and tests in five core knowledge areas of Federal records management training.</p>	

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We procured and configured a learning management system (LMS). The LMS provides a convenient, seamless approach for agencies to register for training, participate in training and take certification tests. It facilitates our delivery of Virtual Instructor-led training to a widely distributed audience across the country.

<b>Specific Strategy: Federal Records Center Program and Electronic Records Services</b>	<b>Description:</b> The Electronic Records Services team is establishing scanning and electronic media storage services for agency customers.
<b>FY 2006 Benefits to Agencies:</b> We continued to progress with e-media storage and scanning services as viable, cost-effective options for Federal agencies. Our Federal Records Center Program (FRCP) actively piloted an e-Media storage program in Kansas City and moved forward with plans for similar storage capabilities at other sites. In the Rocky Mountain Region, we developed plans to provide electronic media storage and services with adjacent space available to customers to use as alternate COOP sites. Scanning projects, both for large-scale production and on-demand jobs, were also underway or operational in Fort Worth and St. Louis.	

<b>Specific Strategy: Flexible Scheduling</b>	<b>Description:</b> A proposed approach to scheduling piloted among five agencies. This approach allows agencies to schedule temporary records in schedules at any level of aggregation that meets their business needs.
<p><b>FY 2006 Benefits to Agencies:</b> We developed flexible schedules and completed appraisal reports and the review processes for the mission and policy functions of the Congressional Research Service. We achieved similar progress with the administration and dissemination functions of the U.S. Patent and Trademark Office.</p> <p>Agency customers indicated that (continued) use of the “big bucket” approach within the concept of the flexible schedule, although time-consuming due to the requirement for extensive analysis, is beneficial for the proper management of agency records. It is especially useful as part of implementing electronic recordkeeping systems and in aligning work processes and records management with the FEA Business Reference Model.</p> <p>We continued to assist GAO, HUD, the Department of Education, and other agencies in the development of flexible schedules.</p>	

<b>Specific Strategy: General Records Schedules</b>	<b>Description:</b> The General Records Schedules (GRS) efforts are designed to identify and develop additional GRS's for records that are common across Federal agencies.
<b>FY 2006 Benefits to Agencies:</b> We continued to develop and update our GRS's to ensure comprehensive coverage of records common to many agencies. We incorporated a major revision to GRS 10 (Motor Vehicles) pertaining to the management of records related to ownership, operation and maintenance of Government aircraft. The GRS will be issued in FY 2007. We vetted a draft GRS for the records of Chief Financial Officers among the CFO Council and Federal agency Records Managers. We also continued to develop major revisions to GRS 1 (Personnel) relating to Employee Assistance Programs, Flexiplace, and Flexitime activities.	

<b>Specific Strategy: Guidance and Regulations</b>	<b>Description:</b> We are continuing efforts at NARA to align our guidance and regulations with changes resulting from the redesign of Federal records management.
<b>FY 2006 Benefits to Agencies:</b> We revised the regulatory framework for Federal records management and began rewriting the regulations in 36 CFR 12, subchapter B. The revision reorganizes the existing regulations and incorporates new standards resulting from changes in our recordkeeping environment and the strategies and initiatives NARA has undertaken in our redesign of Federal records management. Due to other priority ERA and records management initiatives that required diverting staff resources from this project, we did not make as much progress as anticipated in FY 2006. We issued several significant guidance products for agencies in that align to our strategic directions, including the Records Management Profile of the Federal Enterprise Architecture, the remaining enterprise-wide ERM guidance products for implementing ERM, the Toolkit for Managing Electronic Records, and NARA's policies implementing section 207(e) of the E-Government Act.	

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<b>Specific Strategy: Inspections and Studies</b>	<b>Description:</b> Inspections are reviews of agency recordkeeping practices that focus on serious management problems. Studies are reviews of records management practices in the Federal government.
<b>FY 2006 Benefits to Agencies:</b> We completed two studies in FY 2006. We funded a study by the University of Maryland on recordkeeping practices in twenty-one Federal agencies and three non-Federal organizations. We also conducted a study of the Department of Energy (DOE) disposition schedule for research and development (R&D) records maintained by DOE national laboratories.	

<b>Specific Strategy: Resource Allocation (Focusing Resources)</b>	<b>Description:</b> The resource allocation methodology provides a way for NARA to best use its scarce resources to provide assistance to agencies with records that are at high risk of inappropriate disposition, records with high permanent value, and records that are rated high to protect rights of citizens and accountability of the Federal government. The benefit of the resource allocation methodology is that NARA is able to concentrate its records management assistance and other resources in high priority, high visibility Federal programs or sub-functions that are of concern to NARA's public customers.
<b>FY 2006 Benefits to Agencies:</b> We continued to pursue the e-records initiative, using Resource Allocation methods and ratings established in 2004 to appraise and schedule important mission critical information systems in high priority agencies. National teams were created to identify, schedule and appraise, and acquire these permanent records.	

<b>Specific Strategy: Targeted Assistance</b>	<b>Description:</b> We have established partnerships with other agencies to solve specific records management problems.
<b>FY 2006 Benefits to Agencies:</b> We continued to partner with Federal agencies to resolve clearly defined records management challenges. In FY 2006, projects often focused on electronic information systems and the challenges of maintaining and protecting information over time. The projects frequently required that we develop and deliver agency-specific leader-led or computer-based records management training to agencies.	

<b>Specific Strategy: Reporting</b>	<b>Description:</b> We will report to Congress and OMB regarding problems and recommended practices discovered as part of targeted assistance projects or inspections and studies that we conduct.
<b>FY 2006 Benefits to Agencies:</b> We surveyed Federal Records Officers to determine how to improve our records scheduling and appraisal services. In addition, we surveyed Chief Information Officers to gauge the impact of NARA's advocacy efforts. We will use the information collected to develop ways to improve scheduling and communication with our customers.	

## Federal Records Management Evaluations

Under 44 U.S.C. 2904(c)(8), the Archivist of the United States is required to report to Congress and OMB annually on the results of records management activities. NARA fulfills this requirement through the Performance and Accountability Report. Through this report, we also highlight the progress of individual agencies in managing and preserving the documentation necessary to protect the legal and financial rights of the Government and citizens.

In FY 2005, we began to use our Resource Allocation methodology and the OMB Business Reference Model (BRM) to target our assistance to Federal agencies. We performed an analysis of business processes, sub-functions, and agency activities across the Government, based on the OMB BRM, to identify those that are the most significant to protect legal rights, document government accountability, and preserve records that document the national experience.

In FY 2006 we used this analysis to target 124 critical electronic records systems in 31 Federal agencies. The goal of the effort was to describe and appraise the records in these systems to ensure they were adequately maintained to meet agency business needs, protect the legal and financial rights of the Government and its citizens, and preserve those of permanent value. The agencies that owned these systems were generally very supportive, and through agency/NARA partnerships, 163 electronic records systems in 18 agencies were appraised and scheduled, more than 30 percent over our target.

NARA commends these agencies for making significant progress in managing their critical electronic records systems:

Department of Agriculture, Agricultural Marketing Service  
Department of Agriculture, Food Safety and Information Service  
Department of Commerce, U.S. Patent and Trademark Office  
Central Intelligence Agency  
Department of Defense, Defense Threat Reduction Agency  
Department of Defense, Department of the Air Force  
Department of Defense, Department of the Army  
Department of Homeland Security, Customs and Border Protection  
Department of Homeland Security, Transportation Security Administration, Federal Air Marshal Service  
Department of Homeland Security, U.S. Citizenship and Immigration Service  
Department of Homeland Security, U.S. Secret Service  
Department of Health and Human Services, Food and Drug Administration  
Department of Housing and Urban Development  
Department of Justice, Alcohol, Tobacco, Firearms and Explosives  
Department of Justice, Drug Enforcement Agency  
Department of Justice, Federal Bureau of Investigation  
Department of Justice, Office of Justice Programs  
Department of State

We also recognize the following Federal agencies for transferring critical electronic records to the legal custody of the National Archives for permanent preservation:

Department of Commerce, U.S. Patent and Trademark Office  
Department of Defense, Defense Intelligence Agency  
Department of Homeland Security, Customs and Border Protection  
Department of Justice, Civil Division and Civil Rights Division  
Department of Justice, Alcohol, Tobacco, Firearms and Explosives  
National Aeronautics and Space Administration

In addition, we are reporting on several Federal programs that have shown significant progress in preserving and assuring timely maximum access to the American people of our governmental records:

***NOAA, National Marine Fisheries Service, Southeast Regional Office (SERO)***

SERO developed and implemented a scanning project and an electronic recordkeeping system that provides enhanced risk management, efficiencies in handling FOIA and litigation responses, and integration of records management with agency business processes.

***TRICARE Management Activity (TMA) Records Management Program, Aurora, Colorado***

TMA is the Military Health System's health care program for active duty military, active duty service families, retirees and their families, survivors, and other beneficiaries. TMA has done an exemplary job of communicating good records management practices through its guidance and continuous training of TMA managers, custodians, and contractor records managers who generate and control TMA records. Training has included email, Privacy Act and Health Insurance Portability and Accountability Act (HIPAA) recordkeeping issues. TMA also conducts regular site visits and evaluations of its nationwide records management program resulting in model records programs in the field.

***Department of the Interior, Office of the Special Trustee for American Indians- Office of Trust Records (DOI OST)***

DOI OST demonstrated a strong commitment to improving their records management program by committing to train all of their records management staff to earn the NARA Certificate of Federal Records Management Training. The Department of Interior addressed records management improvement on several levels and fronts that include 1) training, 2) establishing a special Office of Trust Records, 3) submitting records schedules (10 in FY 2006) to NARA to receive disposition authorization for the permanent retention of records pertaining to Indian Fiduciary Trust, 4) establishment of the American Indian Records Repository, and 5) a degree emphasis in records management and archives in the American Indian Studies program at Haskell Indian Nations University.

***Small Business Administration (SBA)***



SBA made significant progress in managing its critical electronic records systems by identifying, describing and obtaining NARA approval for six electronic records schedules covering 289 items including the Loan Accounting System.

### ***Department of Housing and Urban Development (HUD)***

HUD has broken new ground in aligning its records scheduling activities with IT capital planning activities using the Federal Enterprise Architecture as a model for scheduling certain records.

### ***Social Security Administration (SSA)***

SSA moved from a fully paper-based claims process to an electronic process while maintaining the integrity of the claims file record. Electronic claim processing for Title II Retirement, Survivors and Disability claims, Title XVI Supplemental Security Income for the Aged, Blind and Disabled claims and Title XVIII Medicare claims is a significant SSA program milestone.

### ***Department of Transportation Research and Innovative Technology Administration (RITA)***

RITA began preparation for a move to a new building with a major records management initiative. RITA began comprehensively scheduling their records, completing more than 40 schedules. RITA was able to dispose of more than 500 cubic feet of records eligible for destruction. They also transferred more than 200 boxes to the Washington National Records Center.

### ***Defense Threat Reduction Agency (DTRA)***

DTRA consolidated approximately 1,400 people, and their records, from multiple locations into their new Defense Threat Reduction Center. Through a partnership with the Security and Counterintelligence Directorate and CIO staff the records program developed posters, brochures, and videotapes, as well as classroom and online training, to get the word out and to make training readily available. DTRA records management was able to successfully move the 1,400 people, plus 600,000 pages of records and make an additional 700,000 pages readily available as scanned images.

### ***Transportation Security Administration (TSA)***

TSA was established by Congress on November 19, 2001, in the aftermath of the September 11<sup>th</sup> attacks. Confronting the overwhelming documentation created by the new high-profile agency and its need to hire a completely new security-related workforce, TSA put together the fundamental elements of a successful records management program. The agency developed records schedules, which NARA approved, and issued a formal records disposition manual. Additionally, TSA issued policy, directives and guidance relating to records management, forms, reports and directives management, file classification, vital records, electronic records, treatment of records containing SSI, and personal papers.

### ***Federal Aviation Administration (FAA)***

FAA recognized the critical need to collect and preserve all of the agency's records relating to the events of September 11, 2001. The FAA established a strict process to ensure that they collected all of the records from a large number of facilities over a wide geographic area. They created digital copies of all the original records and created indices down to the individual item level to ensure enhanced access. FAA requested and received an approved schedule for these records in 2005. They were appraised as permanent. A significant portion of the original records have already been transferred to the National Archives as a pre-accession.

***Department of Defense, Office of the Secretary of Defense (DOD OSD)***

DOD OSD transferred electronic copies of the records of the Coalitional Provisional Authority-Iraq to NARA for "pre-accessioning." These records will remain under the legal control of the DOD but will be archivally processed and preserved so that they will be accessible when accessioned into the permanent custody of the Archives in 25 years.

***U.S. Patent and Trademark Office (PTO)***

PTO transferred an electronic copy of the Automated Patent Search system to NARA for "pre-accessioning." This file contains records for 25,220,394 patents from July 1790 to August 2006. PTO retains access control and will continue to offer these patents to the public in a fee-product. The records are eligible for transfer to NARA's legal custody in September 2010.

We also want to recognize the **Environmental Protection Agency**, the **Government Accountability Office**, the **National Aeronautics and Space Administration**, and the **U.S. Patent and Trademark Office** for pioneering with NARA on new, more flexible ways to schedule records.

## Performance Assessment Rating Tool Summary

### *Records Services Program*

As part of the FY 2005 budget formulation, OMB evaluated NARA's records services program using the Program Assessment Rating Tool (PART). PART was established to provide a process for rating the performance of programs across the Federal Government. The chart below summarizes OMB's findings, NARA's responses, and the status of our progress in implementing the recommendations as well as FY 2006 results for PART measures.

OMB Recommendation	NARA's Response to OMB's Finding		Status of Progress
1. Develop targets for newly created unit-cost measures.	NARA developed a standard methodology for collecting unit cost measures in FY 2004. Data was collected for the first time for many new cost measures in FY 2004 and FY 2005. Targets will be set where appropriate after-measurement methodologies are established and tested.		NARA included 13 new cost metrics in the FY 2004 performance plan and developed a methodology for collecting the data for the first time in FY 2004. These data are reported in the Performance section of this report. We are monitoring trends to determine where targets are appropriate.
2. Produce audited financial statements.			Completed.
Selected PART Measures	Year	Target	Actual
Annual cost of archival storage space per cubic feet of traditional holdings	2006	No annual target	\$6.42
By 2005, 95 percent of requests for military service separation records are answered within 10 working days	2006	95%	91%
By 2009, 100 percent of NARA's archival holdings are in appropriate space	2006	No annual target	57% traditional holdings, 100% electronic holdings, 42% artifact holdings
By 2009, 100 percent of NARA records centers comply with the October 2009 regulatory storage standards	2006	No annual target	9%

***Electronic Records Services Program***

As part of the FY 2006 budget formulation, OMB evaluated NARA's electronic records services program using the PART. The chart below summarizes OMB's findings, NARA's responses, and the status of our progress in implementing the recommendations, as well as FY 2006 results for PART measures.

<b>OMB Recommendation</b>	<b>NARA's Response to OMB's Finding</b>		<b>Status of Progress</b>
1. Work on resolving the basis for its material weakness in IT security.	We plan to complete all actions to resolve this material weakness during FY 2005.		This material weakness was resolved during FY 2005.
2. Implement and utilize earned value management for acquisition of the Electronic Records Archives.	We plan to fully implement earned value management for ERA in FY 2004.		EVM is used in day-to-day management of the ERA program. The development contractor also is held to EVM standards and reports to NARA on a monthly basis.
3. Refine its records management policies and strategies and engage with Federal agencies to continue methods of improving records management across the Federal Government.	We plan to continue implementing the strategies identified in Strategic Directions for Federal Records Management to guide, advocate, and lead the improvement of records management methods across the Federal Government.		See progress made in FY 2006 on page 88 of this report.
<b>Selected PART Measures</b>	<b>Year</b>	<b>Target</b>	<b>Actual</b>
Percentage of archival electronic records accessioned by NARA at the scheduled time.	2006	40%	TBD
The per megabyte cost of managing archival electronic records through the Electronic Records Archives will decrease each year	2006	Target pending development of ERA	N/A
Milestone measures for development of the Electronic Records Archives in 2006 included completing Preliminary Design Review for Increment 1, Release 1 of the ERA system and complete Critical Design Review for Increment 1, Release 1 of the ERA system.	2006	Annual measures	In FY 2006 we completed application-related software specifications for ERA's Ingestion, Dissemination, Preservation, and Records Management functions. We also designed business processes and business objects that contributed to the completion of the Critical Design Review (CDR) for the first Increment of ERA.

## Definitions

The following provides definitions for many of the terms and concepts used in this Performance section.

<b>Goal 1</b>	<b>Records Management</b>
Targeted assistance partnership	Established with an underlying written agreement between NARA and a Federal agency to identify and agree upon a specific project or projects to solve the agency's records management problems. The agreement must take the form of a project plan, memorandum of understanding (MOU), or similar written documentation that performs the same function as a project plan. The agreement has mutually agreed-upon criteria for successful completion of the targeted assistance project or projects. An agreement can include several projects, each with its own success criteria.
Asset and risk management	Determining the value of information as a business asset in terms of its primary and secondary uses in the business process; identifying potential risks to the availability and usefulness of the information; estimating the likelihood of such risks occurring; evaluating the consequences if the risk occurs; and managing the information based on that analysis.
Records management service (RMS)	An application or system software that incorporates interfaces for interacting with other programs and is shared with all Federal agencies for use in their enterprise architectures. The RMS will provide the ability to embed records management functionality in the IT structure of the enterprise.
Records schedule	A document, having legally binding authority when approved by NARA, that provides mandatory instructions (i.e., disposition authority) for what to do with records no longer needed for current business.
Schedule item	Records subject to a specific disposition authority that appear on a records schedule.
<b>Goal 2</b>	<b>Electronic Records</b>
Accession	Archival materials whose legal custody is transferred to NARA.
File units	Data files of electronic records, most often in the form of a database.
Logical data record	A set of data processed as a unit by a computer system or application independently of its physical environment. Examples: a word processing document; a spreadsheet; an e-mail message; each row in each table of a relational database or each row in an independent logical file database.
Preserved	Electronic file preservation requires that (1) the physical file containing one or more logical data records has been identified and its location, format, and internal structure(s) specified; (2) logical data records within the file are physically readable and retrievable; (3) the media, the physical files written on them, and the logical data records they contain are managed to ensure continuing accessibility; and (4) an audit trail is maintained to document record integrity.
Online visits	One instance in which a person uses our web site is counted as one "visit." It is a count of the number of times our web site is accessed and is similar to counting the number of people who walk through our front

door. In contrast, it does not count “hits,” which refer to the number of files used to show the user a web page. A session in which a user accessed a web page comprising 35 files would count as one visit and 35 hits. Counting visits is a more accurate way of showing use of our web site.

Megabyte	A measure of computer data storage capacity. A megabyte is 2 to the 20th power, or approximately a million bytes.
Gigabyte	A measure of computer data storage capacity. A gigabyte is 2 to the 30th power, or approximately a billion bytes (that is, thousand megabytes).
Terabyte	A measure of computer data storage capacity. A terabyte is 2 to the 40th power, or approximately a trillion bytes (that is, a thousand gigabytes).

<b>Goal 3</b>	<b>Access</b>
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ARC	Archival Research Catalog, NARA-wide online catalog.
User hits	The number of files used to show the user a web page. This is not the preferred method for measuring web usage. Counting online visits is more accurate and became available for ARC in 2004.
Traditional holdings	Books, papers, maps, photographs, motion pictures, sound and video recordings, and other documentary material that are not stored on electronic media.
Artifact holdings	Three-dimensional objects made, modified, or used by humans.
Electronic holdings	Records on electronic storage media.
Inventory	A listing of the volume, scope, and complexity of an organization’s records.
Written requests	Requests for services that arrive in the form of letters, faxes, e-mail messages, and telephone calls that have been transcribed. Excludes Freedom of Information Act requests, personnel information requests at the National Personnel Records Center, Federal agency requests for information, fulfillment of requests for copies of records, requests for museum shop products, subpoenas, and special access requests.
Federal agency reference request	A request by a Federal agency to a records center for the retrieval of agency records. Excludes personnel information requests at the National Personnel Records Center.
Classified document review	A review by the Information Security Oversight Office (ISOO) of an Executive branch agency to identify inconsistencies in the application of classification and marking requirements of Executive Order 12958, as amended. The results of the review along with any appropriate recommendations for improvement are reported to the agency head or agency senior official for the program.
Program review	An evaluation of selected aspects of an executive branch agency’s security classification program to determine whether an agency has met the requirements of Executive Order 12958, as amended. The review may include security education and training, self-inspections, declassification, safeguarding, and classification activity. The results of a review, along with any appropriate recommendations for improvement, are reported







## PART 3

# FINANCIAL SECTION

## A Message from the Chief Financial Officer



I am pleased to present the National Archives and Records Administration's (NARA) financial statements for Fiscal Year 2006.

FY 2006 was a landmark year for financial management at the National Archives. In its third year of producing CFO Act financial statements, NARA achieved an unqualified audit opinion, attesting to the fact that our financial statements are presented fairly.

We are pleased that the auditor's report presents both our progress and our remaining challenges. NARA continued to make significant improvements in financial management in FY 2006. We further refined the processes of data gathering for the financial statements, addressed internal controls weaknesses identified in last year's audits, and converted to a new financial services provider.

While the conversion process itself presented a challenge during FY 2006, the major benefits are the resultant compliance with the United States Standard General Ledger (USSGL) and elimination of the corresponding deficiency in financial reporting. More importantly, with the conversion to a new financial system at the inception of FY 2006, NARA gained significant improvements in quality and accuracy of financial data for external financial reporting, as well as for internal management analysis purposes.

With that accomplished, NARA can now focus on further improvements and refinements in our financial management processes that are on a longer timeframe. Some of these, such as improved management and accounting for property, plant, and equipment, require culture changes as appropriate management processes are developed and implemented across the NARA organization.

We are very proud of all NARA staff for the significant achievement of the unqualified opinion on our financial statements. We extend our appreciation to our new financial services provider for their efforts and cooperation in reaching this major milestone.

In closing, while challenges remain, I believe NARA has demonstrated its commitment to improving financial management and its ability to produce accurate and reliable financial statements. NARA will continue its efforts to further improve its financial management and internal controls.

A handwritten signature in black ink that reads "Adrienne C. Thomas". The signature is written in a cursive, flowing style.

Adrienne C. Thomas  
Assistant Archivist for Administration and  
Chief Financial Officer

## Auditor's Reports (FY 2006)

### Inspector General's Summary

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION  
ANNUAL FINANCIAL STATEMENT  
FISCAL YEAR 2006

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, 2006 and 2005. We contracted with the independent certified public accounting firm of Clifton Gunderson, LLP (CG) to perform the audit. The audit was done 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; OMB's Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, and the GAO/PCIE *Financial Audit Manual*.

Last year CG reported that NARA did not record obligations and outlays for the activities in its non-federal investments for sale prior to their conversion to mutual funds in September 2005. As a result, CG was not able to apply adequate audit procedures to satisfy themselves with the obligations and outlays in the combined statement of budgetary resources and consolidated statement of financing for the fiscal year ended September 30, 2005.

In its audit of NARA's financial statements, CG's opinion states that the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2006 and 2005, and its net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary obligations for the years then ended except for the effects of such adjustments, if any, to the fiscal year 2005 financial statements referred to in the preceding paragraph, as might have been necessary had CG been able to perform adequate audit procedures on obligations and outlays related to investments. Basically, NARA received an unqualified opinion of the FY 2006 financial statements and a qualified opinion on the FY 2005 financial statements.

CG reported a material weakness<sup>1</sup> in Information Technology and two reportable conditions<sup>2</sup>. The reportable conditions relate to obligations and payroll controls. CG disclosed no instances of noncompliance with certain provisions of laws and regulations.

In connection with the contract, we reviewed CG's report 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 use to express, as we do not express, an opinion on NARA's financial statements or conclusions about the effectiveness of internal control; or conclusions with laws and regulations. CG is responsible for the attached auditor's report dated November 7, 2006 and the conclusions expressed in the report. However, our review disclosed no instances where CG did not comply, in all material respects, with generally accepted government auditing standards.

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<sup>1</sup>Material weakness are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

<sup>2</sup>Reportable conditions are significant deficiencies in the design or operation of internal control that could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

*Independent Auditor's Report (FY 2006)*

COUNT ON INSIGHT®



**Independent Auditor's Report**

To the Inspector General of the  
National Archives and Records Administration

We have audited the consolidated balance sheets of National Archives and Records Administration (NARA) as of September 30, 2006 (fiscal year 2006) and 2005 (fiscal year 2005), and the related consolidated statements of net cost, changes in net position, financing, and combined statement of budgetary resources for the years then ended (hereinafter collectively referred to as the "financial statements"). These financial statements are the responsibility of NARA's management. Our responsibility is to express an opinion on these financial statements based on our audits

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe our audits provide a reasonable basis for our opinion.

In fiscal year 2005, NARA did not record obligations and outlays for the activities in its non-federal investments for sale prior to their conversion to mutual funds in September 2005. As a result, we were not able to apply adequate auditing procedures to satisfy ourselves with the obligations and outlays in the combined statement of budgetary resources and consolidated statement of financing for the fiscal year ended September 30, 2005.

In our opinion, except for the effects of such adjustments, if any, to the fiscal year 2005 financial statements referred to in the preceding paragraph, as might have been necessary had we been able to perform adequate audit procedures on obligations and outlays related to investments, the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2006 and 2005, and its net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary obligations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our reports dated November 7, 2006 on our consideration of NARA's internal control over financial reporting, and on our tests of NARA's compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Discussion and Analysis, required supplementary stewardship information, supplementary information, and other accompanying information contain a wide range of data, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with the NARA officials. Based on this limited work, we found no material inconsistencies with the financial statements or nonconformance with OMB guidance.

*Clifton Henderson LLP*

Calverton, Maryland  
November 7, 2006



**Independent Auditor's Report on Compliance and Other Matters**

To the Inspector General of the  
National Archives and Records Administration

We have audited the financial statements of the National Archives and Records Administration (NARA) as of and for the year ended September 30, 2006, and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

The management of NARA is responsible for complying with laws and regulations applicable to NARA. As part of obtaining reasonable assurance about whether NARA's financial statements are free of material misstatements, we performed tests of NARA's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 06-03. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to NARA.

The results of our tests of compliance disclosed no instances of noncompliance with the laws and regulations discussed in the preceding paragraph or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 06-03.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of NARA, NARA Office of Inspector General, Government Accountability Office, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Calverton, Maryland  
November 7, 2006

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**Independent Auditor's Report on Internal Control**

To the Inspector General of the  
National Archives and Records Administration

We have audited the financial statements of the National Archives and Records Administration (NARA) as of and for the year ended September 30, 2006, and have issued our report dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered NARA's internal control over financial reporting by obtaining an understanding of NARA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act (FMFIA) (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted matters discussed below involving the internal control and its operation that we consider to be a material weakness or reportable conditions.

In addition, we considered NARA's internal control over Required Supplementary Stewardship Information by obtaining an understanding of NARA's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls required by OMB Bulletin No. 06-03 and not to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

Finally, with respect to internal control related to performance measures reported in NARA's Performance and Accountability Report as of September 30, 2006, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 06-03. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

\*\*\*\*\*

## **MATERIAL WEAKNESS**

### **I. Information Technology (IT)**

#### **A. Access Controls**

In NARA's highly computerized and interconnected environment, effective access control security is dependent on consistently evaluating and controlling the level of access granted to each system user. Access controls should limit and monitor access to computer resources (i.e., data files, application programs, and computer-related facilities and equipment) to the extent necessary to provide reasonable assurance that these resources are protected against waste, loss, unauthorized modification, disclosure, or misappropriation. Access controls include logical controls, such as security software programs designed to prevent or detect unauthorized access to sensitive files.

Our testing identified weaknesses in NARA's information systems environment. These vulnerabilities expose NARA and its computer systems to risks of intrusion, subject sensitive NARA information related to its major applications to potential unauthorized access, modification, and/or disclosure, and increase the risks of fraud, waste and abuse.

Our testing has also indicated that physical and logical access controls are not effective to ensure that only authorized users have access to systems, and access to sensitive areas is restricted to only those with a business purpose. To illustrate:

**Physical Access Controls**

- a. The remote Virtual Private Network (VPN) user accounts indicate NARA does not routinely review VPN access rights to ensure that employees and contractors have an authorized business purpose to use the VPN. Although NARA performs a detective control by routinely reviewing VPN activity, we feel NARA needs to implement a preventive control since NARA has weak contractor access revoking procedures. Our review of NARA's contractor out-processing procedures indicates that separation records (or exit clearance forms) are not required for NARA contractors at the end of their contract. **(New Condition)**
- b. There are four former contractors designated by NARA as still being authorized to release or receive media from NARA's offsite storage facility. We validated that access permissions for the four contractors were removed after we brought up the exceptions to NARA management. **(New Condition)**
- c. The physical access to the computer room could be more tightly controlled. We initially identified twenty-one individuals with access to the Archives II computer room (Room 4330) which is no longer needed. A subsequent review determined that ten of these individuals still had access to this sensitive area. **(Modified Repeat Condition)**
- d. NARA does not have written procedures or policies requiring computer room users to complete the "Computer Room (4300) Access Authorization" form and obtain necessary approvals prior to obtaining access to the computer room. **(Modified Repeat Condition)**
- e. The "Computer Room (4300) Access Authorization" forms were unavailable for thirty seven individuals (82% of our sample). Thus, we were unable to confirm whether 82% of our sampled individuals have computer room access that is approved and required. **(Modified Repeat Condition)**

**Logical Access Controls**

- f. The Novell and GroupWise user accounts indicated that inactive network accounts are not being disabled in a timely manner. We noted the following: **(New Condition)**
  - Eighty-two active accounts have not accessed the system for more than 90 days.
  - Thirty-one active accounts have never accessed the system.
  - Several accounts prevent individual accountability for certain user ids.
- g. For a sample of thirty-eight NARANet system administrators [including field office system administrators (FOSA)], NARA was unable to provide us with new user access request forms, documenting the user's initial access request, or



Remedy Tickets to show that the user's access was authorized and approved. Additionally, NARA was unable to provide us any documentation to show that system administrator access rights were periodically recertified. **(New Condition)**

- h. The Records Center Processing Billing System (RCPBS) password parameters to limit logon attempts is not configured in accordance with parameters defined within the NARA IT Security handbook, which require no more than five invalid logon attempts before accounts are locked out. Thus, unlimited access attempts could be made to guess RCPBS user passwords without an automated limitation. **(Repeat Condition)**

**Recommendations:**

1. Develop and utilize a script or command line command to identify inactive network accounts that have been inactive for more than 90 days and disable them.
2. Institute a process for recertifying network accounts (including system administrators) and remote user access (which are not covered during an application user re-certification process).
3. User IDs (other than system ID) not associated with an individual or not designated for testing purposes should be deleted.
4. Develop a contractor exit checklist that will require formal sign-offs by functional managers. Additionally, the functional managers should indicate that the contractor's access be removed.
5. Regularly recertify all physical access to sensitive NARA facilities, and review agreements where contractors may act as an agent on behalf of NARA with third parties (e.g. Iron Mountain, etc.). Documented evidence of these re-certifications should be maintained for future reference.
6. Enable account lockouts for the RCPBS application in accordance with NARA IT policies.

**B. Entity-Wide Security Program**

Effective information security management is critical to NARA's ability to ensure the reliability, availability, and confidentiality of its information assets, and thus its ability to perform its mission. If effective information security practices are not in place, NARA's data and systems are at risk of inadvertent or deliberate misuse, fraud, improper disclosure, or destruction—possibly without detection.

The Government Accountability Office (GAO) research of public and private sector organizations recognized as having strong information security programs shows that

their programs include (1) establishing a central focal point with appropriate resources, (2) continually assessing business risks, (3) implementing and maintaining policies and controls, (4) promoting awareness, and (5) monitoring and evaluating policy and control effectiveness. [U.S. Government Accountability Office, *Executive Guide: Information Security Management, Learning From Leading Organizations*, GAO/AIMD-98-68 (Washington, D.C.: May 1998), and *Information Security Risk Assessment: Practices of Leading Organizations, A Supplement to GAO's May 1998 Executive Guide on Information Security Management*, GAO/AIMD-00-33 (Washington, D.C.: November 1999)].

NARA has taken important steps to establish an effective information security program, but some weaknesses still exist. We noted weaknesses in the implementation of the program and instances of noncompliance with Federal regulations (i.e., OMB Circular A-130 and NIST Publications), as well as other IT directives, policies, procedures, and templates.

Weaknesses that currently exist in NARA's information security program include the following:

- a. The NARANet general support system has not been certified and accredited within the last three years, and supporting documents (e.g. security plan and risk assessment) have not been updated to reflect major changes to its operating environment (specifically the Novell Netware upgrade). **(New Condition)**
- b. Employee Clearance Records documentation was not available for 76% of our sample indicating removal of logical and physical access privileges. **(Repeat Condition)**
- c. Employee background investigations were not initiated or performed on four individuals in accordance with OMB and NARA policies. **(New Condition)**

***Recommendations:***

7. Maintain employee clearance records (Form 3009) for every separating employee.
8. Require supervisors of departing employees to ensure the Form 3009 is completed no later than an employee's last day of work.
9. Perform a risk assessment of the NARANet environment to identify risks posed by the upgrade on the NARANet system environment and controls.
10. Update the NARANet System Security plan to reflect the current status of the system.
11. Develop a Plan of Actions and Milestones to address the risks identified within the updated NARANet risk assessment.

12. Officially re-authorize the NARANet general support system to continue processing.
13. Background investigations should be immediately conducted on the four noted individuals.
14. NARA should be conducting background investigations on new hires prior to accessing NARA systems, and implement a process to independently validate on an annual basis that such investigations are being performed in a timely manner.

**C. System Software**

Establishing controls over the modification of application software programs helps to ensure that only authorized programs and authorized modifications are implemented. This is accomplished by instituting policies, procedures, and techniques that help make sure all programs and program modifications are properly authorized, tested, and approved and that access to and distribution of programs is carefully controlled. Without proper controls, there is a risk that security features could be inadvertently or deliberately omitted or "turned off", or that processing irregularities or malicious code could be introduced. System software controls should limit and monitor access to powerful programs and sensitive files that control computer processing and secure the application and data supported by the system.

Weaknesses that currently exist in the NARA's system software controls include the following:

- a. NARA does not have documented patch management procedures of existing practices in place which cover the identification, selection, testing and installation of Novell system software on the NARANet. **(New Condition)**
- b. The following are medium and high risk firewall configuration weaknesses (identified within an internal firewall assessment in March 2006) that have not been corrected during the fiscal year: **(New Condition)**
  - Obsolete firewall rules exist and firewall administrators do not keep a record of firewall rules other than that which is available in Change Control Board (CCB) records and the firewall configuration itself as mandated by NARA Directive 804 – Supplement Number 1 NARA Boundary Protection, Section Sup 001.05i.
  - There is abundance of allowed Hyper Text Transfer Protocol (HTTP) and Secure Shell (SSH) connections for management, including connections allowed from obsolete addresses.
  - Only some firewall rules have remarks associated with them. Lack of remarks makes analysis of the configuration file very difficult. Additional remarks need to be added to enhance the readability of the configuration file.
  - Not all publicly available services are located in the demilitarized zone (DMZ) and Domain Naming Service (DNS) is not currently deployed in

accordance with the guidelines in NARA Directive 804 – Supplement Number 1 NARA Boundary Protection.

*Recommendations:*

15. Document and implement patch management procedures for all Novell systems.
16. Implement the milestones and target dates identified in the Plan of Actions and Milestones (POA&M) to address the four open firewall weaknesses identified.

**D. Contingency Plan**

Losing the capability to process, and protect information maintained on NARA's computer systems can significantly impact NARA's ability to accomplish its mission to serve the public. The purpose of service continuity controls is to ensure that, when unexpected events occur, critical operations continue without significant interruption or are promptly resumed.

To achieve this objective, NARA should have procedures in place to protect information resources and minimize the risk of unplanned interruptions and a plan to recover critical operations should interruptions occur. These plans should consider activities performed at NARA's general support facilities (e.g. NARA's LAN, WAN, and telecommunications facilities), as well as the activities performed by users of specific applications. To determine whether the disaster recovery plans will work as intended, NARA should establish and periodically test the capability to perform its functions in disaster simulation exercises. NARA should develop and structure disaster recovery plans and continuity of operation plans in accordance with Federal Emergency Management Agency (FEMA) Federal Preparedness Circular No. 65, Presidential Decision Directive 67 "Enduring Constitutional Government and Continuity of Operations", and National Institute of Science and Technology (NIST) SP 800-34 "Contingency Planning Guide for Information Technology Systems".

Our review of NARA's service continuity controls identified deficiencies that could affect NARA's ability to respond to a disruption in business operations as a result of a disaster or other long-term emergency. The deficiencies were as follows:

- a. The NARA Headquarters Continuity of Operations Plan (COOP) does not identify mission-critical systems and related vital files, records and databases necessary to restore essential functions. Testing of the COOP cannot be adequately performed without identification of vital records and databases. Additionally, the COOP discusses obtaining access to Pegasus and Financial Management Information System (FMIS), which are no longer utilized by NARA. **(New Condition)**
- b. Our review also determined that the NARANet and Information Services NH disaster recovery plans: **(New Condition)**

- Do not identify an offsite storage location for recovery of data and programs.
- Do not describe procedures to recover Novell Groupwise.
- Is not updated to reflect current Novell Groupwise versions.

*Recommendations:*

17. Revise the COOP to reflect systems/applications that are currently in use, and specifically identify mission critical applications and related vital files, records and databases necessary to restore essential functions.
18. Revise the NARANet and NH disaster recovery plans to reflect the current Novell Groupwise environment, describe procedures to recover Novell Groupwise and identify the storage location of backup tapes (identified as an essential material, data, record or communication).

**REPORTABLE CONDITIONS**

**II. Review of Obligations (Modified Repeat Finding)**

NARA Interim Guidance 400-6 states that "Each quarter the NABF sends a NARA action notice to office heads that includes a list of open items. Each office must review the individual items, annotate what actions need to be taken or if no action is required, and respond by the due date"

Our test disclosed that not all open obligations on the lists sent to office heads showed evidence of review. Timely review and recording of adjustments resulting from the review help maintain the relevance and value of the transactions to management in controlling operations and making decisions.

*Recommendation:*

19. Consistently implement the NARA Interim Guidance 400-6.

**III. Strengthen Payroll Controls (Repeat Finding)**

Internal control over the maintenance of supporting documentation, validation and authorization of payroll related transactions need to be strengthened. Our test disclosed:

- Supervisor Time and Attendance Certification Reports were not available for review for certain employees selected for testing.
- Time and Attendance Logs did not consistently include the proper validating signatures.

GAO *Standards for Internal Control in the Federal Government* states that transactions and other significant events should be authorized and executed only by persons acting

within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use or commit resources and other events are initiated or entered into.

***Recommendations:***

20. Ensure that documentation supporting payroll transactions is properly maintained and readily available for examination.
21. Enforce the policy of signing and dating the Supervisor Time and Attendance Certification Report.

**IV. Status of Prior Year Findings and Recommendations**

As required by Government Auditing Standards and OMB Bulletin No. 06-03, we have reviewed the status of NARA's corrective actions with respect to the findings and recommendations from the previous year's report on internal controls. We have attached Appendix A to our report that presents the status of prior year findings and recommendations.

**V. Other Matter**

OMB Bulletin No. 06-03 requires that the auditor's report on internal control "identify those material weaknesses disclosed by the audit that were not reported in the reporting entity's Federal Manager's Financial Integrity Act (FMFIA) report." Although NARA has identified "inconsistent levels of documentation within the IT program" as a reportable condition, the material weaknesses relating to the IT control environment were not disclosed in the FMFIA report. We do not believe, however, that failure to report these material weaknesses in FMFIA constitutes a separate reportable condition or a material weakness because different criteria are used in determining material weaknesses for both reports.

**NARA Management Response and Our Comments**

NARA management has responded to our report and the full response is included in this report. NARA management took exception to the characterization of our findings as a material weakness but recognized that the deficiencies in general controls must be corrected and they will take action to correct them as soon as possible.

We have carefully reviewed NARA management's response, however we have not changed our conclusion that general controls weaknesses existed in logical and physical access controls, entity-wide security program, system software and service continuity. Further, we continue to conclude that these weaknesses evaluated collectively is a material weakness.

\*\*\*\*\*

In addition to the material weakness and reportable conditions described above, we noted certain matters involving internal control and its operation that we reported to the management of NARA in a separate letter dated November 7, 2006.

This report is intended solely for the information and use of the management of NARA, NARA Office of Inspector General, Government Accountability Office, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Calverton, Maryland  
November 7, 2006

**APPENDIX A**  
**NATIONAL ARCHIVES AND RECORDS ADMINISTRATION**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**September 30, 2006**

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
<b>Material Weakness</b>			
1	NARA did not record obligation and outlay for the activities in its non-federal investments held for sale.	Continue to pursue with U.S. Treasury USSGL group the SGL transactions and accounting scenarios for accounting for investments in non-federal securities specifically in mutual funds.	Closed
<b>Reportable Conditions</b>			
2 and 3	Changes made to the RCPBS application did not contain system owner approvals or documentation indicating testing and test plans were performed.	1. Obtain proper approvals before moving RCPBS application changes into the Production environment. 2. Document test plans and test results for all RCPBS application changes.	Closed
4	Employee Clearance Records documentation was not available indicating removal of access privileges to IT system resource accounts.	Maintain documentation of Employee Clearance Records for all departing employees, with clear identification of which system/application access has been removed.	Open
5	Plans of Actions and Milestones (POA&Ms) are not structured in compliance with OMB instructions.	Revise POA&Ms to include all required components as dictated per OMB M-04-25 instructions.	Closed
6	Documented approvals of user access to the RCPBS/PRISM application were not available.	Ensure all current and future RCPBS and PRISM application users have documentation indicating approved access by their supervisor and system owner.	Closed
7	Password parameters to limit logon attempts to the RCPBS/PRISM application are not configured in accordance with NARA IT policies.	Review password configurations of all NARA maintained (i.e. RCPBS and PRISM) applications and applications outsourced to the Bureau of Public Debt (BPD) to ensure passwords are implemented in accordance with specifications for password usage established by NIST in Federal Information Processing Standards Publication 112, PASSWORD USAGE, and NARA's IT Security Handbook.	Open



**APPENDIX A  
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
September 30, 2006**

<b>Recommendation No.</b>	<b>Condition/Audit Area</b>	<b>Recommendation</b>	<b>Current Status</b>
8	A user recertification process was either not in place or documented RCPBS, PRISM and FMIS applications to ensure user access is still appropriate.	Enforce Directive 804 and ensure that user access to all NARA (i.e. PRISM and RCPBS) and Bureau of Public Debt (BPD) hosted applications are re-certified on a regular basis in a joint effort by NH and system owners.	Closed
9	An excessive number (209) of individuals have access to the computer room; many who do not need access to perform their daily job responsibilities.	Review all individuals with access to the computer room, determine if access is needed to perform their job responsibilities, and remove any access not required on either a frequent or emergency basis.	Open
10	User access to Disposition Authority (DAU) master files is not being properly restricted.	Modify NARS5 user permissions to restrict access to the DAU file to only those individuals who require this access in order to perform their position responsibilities.	Closed
11	No audit trail is in place to associate NARS5 or PRISM application user activity to their actions. Additionally, unauthorized user access attempts are not being tracked for follow up.	Incorporate logging (of user activity and failed logon attempts) functionality within the NARS5 and PRISM applications to the extent configurable within the application. Implement a process to review these logs on a regular basis. Also, incorporate such logging and audit trails in the functional requirements/design/configuration of any replacement systems (i.e. hosted by NARA or the BPD).	Closed
12	NARA is not maintaining an up to date listing of its staff accessing externally hosted applications (i.e. Financial Management Information Systems (FMIS)) and associated system permissions.	Ensure all NARA point of contacts (POCs) for outsourced applications maintain an up-to-date documented listing of all NARA user names and permissions.	Closed

**APPENDIX A**  
**NATIONAL ARCHIVES AND RECORDS ADMINISTRATION**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**September 30, 2006**

Recommendation No.	Condition/Audit Area	Recommendation	Current Status
13	Validation edits are not in place to ensure daily batch transaction data transferred from the NARSS application to the RCPBS application are received completely and accurately.	Implement manual or automated validation edits to ensure daily batch transaction data transferred from the NARSS application to the RCPBS application are received completely and accurately.	Closed
14	The Continuity of Operations Plan (COOP) for NARA captures some but not all essential business functions for locations.	NARA should update the agency COOP plan to reflect all business functions at each NARA location.	Closed
15	The General Ledger (GL) System setup and posting model definitions do not fully comply with the transactions postings model consistent with the United States Standard General Ledger (USSGL) guidance and policies when recording budget-related entries.	Ensure that the GL system setup and posting model definitions of the new service provider is in compliance with USSGL.	Closed
16	For reporting purposes, the timing of the review of obligations is such that it prevents NARA from having its interim quarterly reports adjusted for obligations that are no longer valid. Moreover, there was no evidence that this control was consistently implemented in fiscal year 2005.	Develop a timetable that will permit the periodic timely review of obligations to meet the timelines established for external reporting in OMB Bulletin A-136, <i>Financial Reporting Requirements</i> .	Partially Closed. NARA adjusted its reporting timelines to enable them to review obligations to meet reporting deadlines. However, our test disclosed evidence that the review control was not consistently implemented in fiscal year 2006.

**APPENDIX A  
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
September 30, 2006**

<b>Recommendation No.</b>	<b>Condition/Audit Area</b>	<b>Recommendation</b>	<b>Current Status</b>
17	NARA does not have an integrated financial management system. Significant financial management systems such as billings and related sub-systems, the cost system, the property management system and the financial reporting system are not interfaced with the GL system.	Continue to evaluate the functional requirements to integrate the financial reporting, billing systems, property and equipment and a cost system with the GL system and assess the degree of integration necessary to have a single, unified financial management system.	Open. However, we moved this finding to a management letter comment.
18	NARA continues to develop its policies and procedures for software in development and completed software.	Finalize the policies on procedures for software in development and completed software.	Closed
19	Cost associated with the internally developed software were not maintained in cost center designed to track the software development phases and processes to ensure compliance with the federal accounting capitalization standard.	Track costs and maintain documentation related to the various software development phases to ensure compliance with federal accounting capitalization standard.	Closed
20	We found six of ten completed software examined that did not have certification in-service date evidencing the acceptance of the software in development as completed and the start of the depreciation calculation.	Create a certification in-service documentation related to evidence acceptance of the software by its owner and maintain the document as support for depreciation start date.	Closed
21	Documentation supporting certain deductions is not maintained in employees' personnel files.	Ensure that NARA's service provider(s) are in compliance with NARA's policy of maintaining appropriate supporting records for payroll deductions authorized by the employees and have them readily available for examination.	Closed

**APPENDIX A**  
**NATIONAL ARCHIVES AND RECORDS ADMINISTRATION**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**September 30, 2006**

<b>Recommendation No.</b>	<b>Condition/Audit Area</b>	<b>Recommendation</b>	<b>Current Status</b>
22	Credit time earned or used was not recorded in Electronic Time and Attendance Management System (ETAMS) until July 2005.	Enforce the policy of recording leave earned and used in ETAMS.	Closed
23	Time and attendance (T&A) logs were not available for review for certain employees selected for testing.	Ensure that documentation supporting payroll transactions is properly maintained and readily available for examination.	Partially closed. Although NARA provided all T&A logs selected for testing, NARA did not provide the Supervisor Time and Attendance Certification Report for certain employees in our sample.
24	T&A logs did not consistently include the proper validating signatures.	Enforce the policy of signing and dating the Supervisor Time and Attendance Certification Report.	Open
25	T&A reports are not consistently reconciled with Supervisory Time and Attendance Report or Leave and Earning Statements (LES).	Periodically review and reconcile payroll related records to ensure accuracy of information.	Closed

**Management Response to Auditor's Report (FY 2006)**



*National Archives and Records Administration*

700 Pennsylvania Avenue, NW  
Washington, DC 20408-0001

Date: November 9, 2006  
To: Paul Brachfeld, Inspector General  
From: Allen Weinstein, Archivist of the United States  
Subject: Management Response to Draft Independent Auditor's Reports on NARA's Internal Controls and Compliance with Laws and Regulations for FY 2006

Thank you for the opportunity to review and comment on the draft reports entitled *Independent Auditor's Report on Internal Control* and *Independent Auditor's Report on Compliance and Other Matters*. We appreciate the efforts of your staff and all parties associated with the audit process.

We are pleased that the Independent Auditor recognizes our progress, as evidenced by an "unqualified" audit opinion on this year's financial statements. NARA will continue to work diligently to address remaining issues on our path to meeting the President's Management Agenda's goal of improved financial management.

We generally agree with the reports, except for the severity assigned to information technology findings by the Independent Auditors. We offer the following comments:

Material Weakness in Information Technology

We do not agree with the assessment that the findings in this area constitute a material weakness. As noted in the *Independent Auditor's Report on Internal Control*, this condition exists when "...one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions."

We believe that the potential risk to our financial statements from these controls is very low. Further, each of the internal control components discussed in the report: Physical Access Controls, Logical Access Control, Entity-Wide Security Program, System Software, and Contingency Plan, are under programmatic control and there are compensating controls for each of the specific findings which reduce the risks posed by the vulnerabilities. The compensating controls ensure that errors related to these vulnerabilities can be found and corrected in the normal course of business. As noted in our FY 2006 FMFIA report, there are places where our documentation of these controls could be enhanced, and that is being addressed.

NARA's web site is <http://www.archives.gov>

We want to reassure our stakeholders that major investments in information technology at NARA are made in an environment that has effective internal controls. These controls are based in risk assessment and management at many levels within our organization.

Reportable Condition in Payroll Controls

This reportable condition, with its recommendations, generally addresses NARA's ongoing efforts to improve existing policies and procedures. However, the amount of finite organizational resources allotted to it must be commensurable with the level of risk perceived by management. In FY 2006, all but 2 requested payroll documents were available and provided to the auditors. We expect that with conversion to Employee Express in FY2007, payroll documentation issue will be resolved, by means of online accessibility.

In closing, while challenges remain, we strongly believe that NARA has demonstrated our commitment to improved financial management and ability to produce accurate and reliable financial information. We would like to again thank the Office of Inspector General and Clifton Gunderson LLP for working in a professional and dedicated manner with NARA staff.



ALLEN WEINSTEIN  
Archivist of the United States

*NARA's web site is <http://www.archives.gov>*

## Financial Statements and Additional Information (FY 2006)

### *Limitations of the Financial Statements*

The principal 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). While the 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, the statements are additional to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

NARA's FY 2006 financial statements were audited by Clifton Gunderson LLP under contract to NARA's Office of the Inspector General.

**Principal Statements**

**Consolidated Balance Sheet**

*As of September 30, 2006 and September 30, 2005  
(in thousands)*

	<u>2006</u>	<u>2005</u>
<b>Assets (Note 2)</b>		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 174,683	\$ 167,231
Investments (Note 3)	7,631	14,740
Accounts receivable (Note 4)	12,486	9,181
Total intragovernmental	<u>194,800</u>	<u>191,152</u>
Cash (Note 2)	49	48
Investments (Note 3)	20,869	11,869
Accounts receivable, net (Note 4)	653	863
Inventory, net (Note 5)	1,110	1,104
General property, plant and equipment, net (Note 6)	339,746	311,802
Other Assets (Note 8)	977	1,029
<b>Total assets</b>	<b><u>\$558,204</u></b>	<b><u>\$ 517,867</u></b>
Stewardship PP&E (Note 7)		
<b>Liabilities</b>		
Intragovernmental		
Accounts payable	\$ 2,657	\$ 3,366
Other (Note 9, 11, 12)	5,917	3,454
Total intragovernmental	<u>8,574</u>	<u>6,820</u>
Accounts payable	32,949	20,112
Debt held by the public (Note 9, 10)	226,938	236,259
Other (Note 9, 11)	30,333	29,506
Total liabilities	<u>298,794</u>	<u>292,697</u>
Commitments and Contingencies (Note 13)		
<b>Net Position</b>		
Unexpended appropriations - other funds	108,887	117,554
Cumulative results of operations - earmarked funds (Note 14)	29,174	28,743
Cumulative results of operations - other funds	121,349	78,873
Total net position	<u>\$ 259,410</u>	<u>\$ 225,170</u>
<b>Total liabilities and net position</b>	<b><u>\$ 558,204</u></b>	<b><u>\$ 517,867</u></b>

*The accompanying notes are an integral part of these statements*



***Consolidated Statement of Net Cost***  
***For the years ended September 30, 2006 and 2005***  
***(in thousands)***

	2006	2005
<b>Program costs</b>		
<b>Records and archives-related services</b>		
Gross costs (Note 15)	\$ 285,250	\$ 280,307
Less: Earned revenues	(1,244)	(647)
<b>Total net records and archives-related services program costs</b>	284,006	279,660
<b>Trust and Gift Funds</b>		
Gross costs (excluding heritage asset renovation)	13,497	15,274
Heritage asset renovation costs (Note 16)	634	880
Less: Earned revenues	(16,923)	(16,305)
<b>Total net trust and gift fund costs</b>	(2,792)	(151)
<b>Electronic records archives</b>		
Gross costs	6,411	35,655
Less: Earned revenues	-	-
<b>Total net electronic records archives program costs</b>	6,411	35,655
<b>National historical publications and records commission grants</b>		
Gross costs	7,014	7,308
Less: Earned revenues	-	-
<b>Total net national historical publications and records commission grants program costs</b>	7,014	7,308
<b>Archives facilities and presidential libraries repairs and restoration</b>		
Gross costs	544	701
Heritage asset renovation costs (Note 16)	11,942	10,390
Less: Earned revenues	-	-
<b>Total net archives facilities and presidential libraries repairs and restoration program costs</b>	12,486	11,091
<b>Revolving fund records center storage and services</b>		
Gross costs	143,350	143,824
Less: Earned revenues	(135,561)	(132,023)
<b>Total net revolving fund records center storage and services program costs</b>	7,789	11,801
<b>Net Cost of Operations</b>	<b>\$ 314,914</b>	<b>\$ 345,364</b>

*The accompanying notes are an integral part of these statements*

**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2006**

**Consolidated Statement of Changes in Net Position**  
**For the years ended September 30, 2006 and 2005**  
*(in thousands)*

	2006			2005	
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total	Consolidated Total
<b>Cumulative Results of Operations:</b>					
Beginning Balances	\$ 28,743	\$ 78,873	-	\$ 107,616	\$ 91,001
Adjustments:					
Changes in accounting principles (Note 1T)	-	-	-	-	(839)
Beginning balances, as adjusted	28,743	78,873	-	107,616	90,162
<b>Budgetary Financing Sources:</b>					
Appropriations Used	-	338,887	-	338,887	337,245
Non-exchange Revenue	746	-	-	746	579
Donations and Forfeitures of Cash and Cash Equivalents	405	-	-	405	9,366
Other	(7)	-	-	(7)	21
<b>Other Financing Sources (Non-Exchange)</b>					
Imputed financing	466	17,497	-	17,963	15,658
Other	(173)	-	-	(173)	(51)
Total Financing Sources	1,437	356,384	-	357,821	362,818
Net Cost of Operations	1,006	313,908	-	314,914	345,364
Net Change	431	42,476	-	42,907	17,454
<b>Cumulative Results of Operations</b>	<b>29,174</b>	<b>121,349</b>	<b>-</b>	<b>150,523</b>	<b>107,616</b>
<b>Unexpended Appropriations:</b>					
Beginning Balance	-	117,554	-	117,554	139,793
<b>Budgetary Financing Sources:</b>					
Appropriations Received	-	338,141	-	338,141	321,291
Other adjustments	-	(7,921)	-	(7,921)	(6,285)
Appropriations Used	-	(338,887)	-	(338,887)	(337,245)
Total Budgetary Financing Sources	-	(8,667)	-	(8,667)	(22,239)
Total Unexpended Appropriations	-	108,887	-	108,887	117,554
<b>Net Position</b>	<b>\$ 29,174</b>	<b>\$ 230,236</b>	<b>-</b>	<b>\$ 259,410</b>	<b>\$ 225,170</b>

*The accompanying notes are an integral part of these statements*

***Combined Statement of Budgetary Resources***  
*For the years ended September 30, 2006 and 2005*  
*(in thousands)*

	<b>2006</b>	<b>2005</b>
<b>Budgetary resources</b>		
Unobligated balance, brought forward October 1:	\$ 74,714	\$ 62,506
Recoveries of prior year unpaid obligations	7,590	27,330
Budget authority		
Appropriations	339,906	331,506
Spending authority from offsetting collections		
Earned		
Collected	166,952	168,253
Change in receivables from Federal sources	2,733	(5,410)
Change in unfilled customer orders		
Advance received	526	96
Without advance from Federal sources	8,557	(770)
Subtotal	518,674	493,675
Permanently not available	17,145	14,773
<b>Total budgetary resources</b>	<b>\$ 583,833</b>	<b>\$ 568,738</b>
<b>Status of Budgetary Resources</b>		
Obligations incurred		
Direct	346,146	358,512
Reimbursable	173,169	135,513
Subtotal	519,315	494,025
Unobligated balance		
Apportioned	47,098	24,040
Exempt from apportionment	3,342	36,011
Subtotal	50,440	60,051
Unobligated balance not available	14,078	14,662
<b>Total Status of Budgetary Resources</b>	<b>\$ 583,833</b>	<b>\$ 568,738</b>
<b>Change in Obligated Balance:</b>		
Obligated balance, net,		
Unpaid obligations, brought forward October 1	117,240	157,275
Less: Uncollected customer payments from Federal sources, brought forward October 1	(9,935)	(16,113)
Total unpaid obligated balance, net	107,305	141,162
Obligations incurred net	519,315	494,025
Less: Gross outlays	489,897	506,730
Less: Recoveries of prior year unpaid obligations, actual	7,590	27,330
Change in uncollected customer payments from Federal Sources	(11,289)	6,180
Obligated balances, net, end of period		
Unpaid obligations	139,068	117,240
Less: Uncollected customer payments from Federal sources	(21,224)	(9,935)
Total, unpaid obligated balance, net end of period	117,844	107,305
<b>Net Outlays:</b>		
Gross outlays	489,897	506,730
Less: Offsetting collections	167,479	168,349
Less Distributed offsetting receipts	99	-
Net Outlays	<b>\$ 322,319</b>	<b>\$ 338,381</b>

*The accompanying notes are an integral part of these statements*

***Consolidated Statement of Financing***  
***For the years ended September 30, 2006 and 2005***  
***(in thousands)***

	<b>2006</b>	<b>2005</b>
<b><i>Resources Used To Finance Activities</i></b>		
Budgetary resources obligated		
Obligations incurred	\$ 519,315	\$ 494,025
Less: Spending authority from offsetting collections and recoveries	(186,358)	(189,499)
Obligations net of offsetting collections and recoveries	332,957	304,526
Less Offsetting receipts	99	0
Net obligations	332,858	304,526
Other Resources		
Imputed financing from costs absorbed by others	17,963	15,658
Other resources	(174)	(51)
Net other resources used to finance activities	17,789	15,607
<b><i>Total resources used to finance activities</i></b>	<b>350,647</b>	<b>320,133</b>
<b><i>Resources Used to Finance Items not Part of Net Cost of Operations</i></b>		
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	4,662	35,522
Resources that fund expenses recognized in prior periods	(5,696)	(4,706)
Budgetary offsetting collections and receipts that do not affect net cost of operations-Other	95	289
Resources that finance the acquisition of assets	(59,930)	(35,683)
Other resources or adjustments to net obligated resources that do not affect net cost of operations	174	-
<b><i>Total resources used to finance items not part of net cost of operations</i></b>	<b>(60,695)</b>	<b>(4,578)</b>
<b><i>Total resources used to finance the net cost of operations</i></b>	<b>289,952</b>	<b>315,555</b>
<b><i>Components of The Net Cost of Operations That Will Not Require or Generate Resources in Current Period</i></b>		
Components requiring or generating resources in future periods		
Increase in annual leave liability	341	1,482
Other	2,963	1,966
Total components of Net Cost of Operations that will require or generate resources in future periods	3,304	3,448
Components not requiring or generating resources		
Depreciation and amortization	24,891	23,649
Revaluation of assets or liabilities	(127)	1,322
Other	(3,106)	1,390
Total components of Net Cost of Operations that will not require or generate resources	21,658	26,361
<b><i>Total components of net cost of operations that will not require or generate resources in current period</i></b>	<b>24,962</b>	<b>29,809</b>
<b>Net Cost of Operations</b>	<b>\$ 314,914</b>	<b>\$ 345,364</b>

*The accompanying notes are an integral part of these statements*

## *Notes to Principal Statements*

### *Note 1 – Summary of Significant Accounting Policies*

#### *A. Reporting Entity*

The National Archives was created by statute as an independent agency in 1934. On September 30, 1949, the Federal Property and Administrative Services Act transferred the National Archives to the General Services Administration (GSA), and its name was changed to National Archives and Records Services. It attained independence again as an agency in October 1984 (effective April 1, 1985) and became known as the National Archives and Records Administration (NARA).

NARA is our nation's record keeper. NARA safeguards records of all three branches of the Federal Government. NARA's mission is to ensure that Federal officials and the American public have ready access to essential evidence—records that document the rights of citizens, the actions of Government officials, and the national experience.

NARA is administered under the supervision of the Archivist of the United States. It comprises various Operating Administrations, each having its own management and organizational structure, which collectively provide services and ready access to essential evidence. NARA's accompanying financial statements include accounts of all funds under NARA's control.

#### **General Funds**

- Operating Expenses
  - Records Services—Provides for selecting, preserving, describing, and making available to the general public, scholars, and Federal agencies the permanently valuable historical records of the Federal Government and the historical materials and Presidential records in Presidential Libraries; for preparing related publications and exhibit programs; and for conducting the appraisal of all Federal records.
  - Archives Related Services—Provides for the publication of the Federal Register, the Code of Federal Regulations, the U.S. Statutes-at-Large, and Presidential documents, and for a program to improve the quality of regulations and the public's access to them. This activity also includes the administration and reference service portions for the National Historical Publications and Records Commission.
  - The National Archives at College Park—Provides for construction and related services of the archival facility which opened to the public at the end of 1993.
- Electronic Records Archives—Provides for research, analysis, design, development and program management to build an Electronic Records Archive (ERA) that will ensure the preservation of and access to Government electronic records.
- Repairs and Restoration—Provides for the repair, alteration, and improvement of Archives facilities and Presidential Libraries nationwide. It funds the National Archives' efforts to provide adequate storage for holdings, to maintain its facilities in proper condition for public visitors, researchers, and employees in NARA facilities, and to maintain the structural integrity of the buildings.
- National Historical Publications and Records Commission Grants—Provides for grants funding that the Commission makes, to local, state, and private institutions nationwide, to preserve and publish records that document American history.

**Intragovernmental Fund**

- Records Center Revolving Fund – Utilizes customer funding effectively to provide services on a standard price basis to Federal agency customers. The fund maintains low cost, quality storage and transfers, reference, re-file, and disposal services for records stored in regional service facilities.

**Trust Funds**

- National Archives Gift Fund – The National Archives Trust Board solicits and accepts gifts or bequests of money, securities, or other personal property for the benefit of or in connection with the national archival and records activities administered by the National Archives and Records Administration (44 U.S.C. 2305).
- National Archives Trust Fund – The Archivist of the United States furnishes, for a fee, copies of unrestricted records in the custody of the National Archives (44 U.S.C. 2116). Proceeds from the sale of copies of microfilm publications, reproductions, special works and other publications, and admission fees to Presidential Library museums are deposited in this fund.

*B. Basis of Presentation*

These statements were prepared from the accounting records of NARA in conformity with United States generally accepted accounting principles (GAAP), and the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting the accounting standards of the U.S. Government. 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 budget resources.

*C. Basis of Accounting*

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, exchange 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.

*D. Funds with the U.S. Treasury*

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.

*E. Accounts Receivable*

Accounts receivable consist of amounts due from the public and other Federal agencies. The allowance for uncollectible accounts from the public is estimated based on an analysis of the aged receivables. Accounts receivable from Federal agencies are expected to be collected and therefore not included when calculating the allowance for uncollectible accounts.

*F. Investments in Securities*

Investments in Federal securities are made daily and are reported at cost.

NARA also employs the use of a third party capital management firm to monitor and manage the endowments, received pursuant to Title 44 U.S.C. section 2112, for the George Bush Library and Clinton 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. During FY 2006, all shares in the Lehman Aggregate Bond Index were sold and shares were repurchased in a Collective Fund. NARA also exercised its authority under Title 44 U.S.C. section 2306, to move a portion of federally held investments for the Presidential libraries to a third party investment firm, The Vanguard Group. All third party investments will be recorded at fair value and interest income earned will be recognized on a monthly basis.

*G. Cash*

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.

*H. Net Position*

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations.

Appropriations are recognized as capital when made available for apportionment by OMB. Unexpended appropriations represent the total amount of unexpended budget authority, both obligated and unobligated. Unexpended appropriations are reduced for appropriations used and adjusted for other changes in budgetary resources, such as transfers and rescissions. Cumulative results of operations line item is the net result of NARA's operations since inception.

*I. Operating Material and Supplies*

Operating material and supplies consist of tangible property to be consumed in normal operations and are expensed when purchased.

*J. 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.

*K. Property, Plant, and Equipment (PP&E)*

NARA capitalizes property with a cost exceeding \$50 thousand and a useful life exceeding two years. Depreciation expense is calculated using the straight-line method over the useful life. Property items not meeting the capitalization criteria are recorded as operating expenses.

NARA's PP&E falls into two categories: general PP&E and heritage assets. General PP&E items are used to provide general government goods and services. Heritage assets are defined as possessing significant educational, cultural, or natural characteristics (see Note 7).

*L. Internal Use Software*

NARA capitalizes internal-use software development projects, where the total cost is \$250 thousand or greater. Internal-use software includes commercial off-the-shelf (COTS) software and internally developed or contractor developed software. The estimated useful life is five years.

*M. Employee Health and Life Insurance Benefits*

NARA employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employee Group Life Insurance Program (FEGILIP). Both of these programs require contributions from the employee based on the coverage options selected by the employee. NARA contributes the required employer share. Both of these programs provide post-retirement benefits. The Office of Personnel Management (OPM) administers and reports the liabilities for these post-retirement benefits. NARA recognizes the entire service costs of the post-retirement portions of these programs as Imputed Cost and Imputed Financing Sources.

*N. 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 computed its actuarial FECA liability based on the model provided by DOL.

*O. Employee Retirement Benefits*

NARA employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). Most NARA employees hired prior to January 1, 1984, participate in the CSRS, to which NARA contributes 7 percent of basic pay and the employee contributes 7 percent, for a total contribution of 14 percent. On January 1, 1984, FERS went into effect pursuant to Public Law 99-335. Under the FERS plan, NARA contributes 11.2 percent, while employees contribute 0.8 percent of basic pay, for a total contribution of 12 percent. NARA funds a portion of pension benefits for its employees under the CSRS and the FERS and makes the necessary payroll withholdings for the employee's share. NARA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits of the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of OPM. NARA does, however, recognize and allocate the imputed costs on the Statement of Net Cost and recognizes imputed financing related to these costs on the Statement of Changes in Net Position.

Employees covered by CSRS and FERS are eligible to contribute to the U.S. Government's Thrift Savings Plan (TSP), administered by the Federal Retirement Thrift Investment Board. Contributions are subject to the annual limitation set by the Internal Revenue Service (IRS) of \$15 thousand for 2006. For FERS covered employees, a TSP account is automatically established to which NARA makes a mandatory contribution of 1 percent of basic pay. FERS-covered employees may contribute to the TSP account subject to IRS limitation, with NARA making matching contributions up to an additional 4 percent of basic pay. NARA also makes matching contributions to the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For employees covered by FERS, NARA matches the amount of 6.2 percent of gross pay up to \$94.2 thousand to SSA's Old-Age Survivors and Disability Insurance (OASDI) program. Additionally, NARA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program.

*P. 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. Current or prior year appropriations are not available to fund annual leave earned but not taken. Funding occurs in the year the leave is taken and payment is made, except for the Trust and Revolving funds which began funding the annual leave earned but not taken in FY 2006. Sick leave and other types of non-vested leave are expensed as taken.

*Q. 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.



*R. 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 “possible” are disclosed in the notes to the financial statements. Liabilities that are deemed “remote” are not recognized or disclosed in the financial statements.

*S. 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, Records and archives-related services 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 (see Note 15). All other programs appearing on the Statement of Net Cost, such as Electronic Records Archives and National Historic Publications and Records Commission Grants are, in essence, a part of the Records and Archives-related services, 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.

*T. Changes in generally accepted accounting principles – FY 2005*

For FY 2005, the change in accounting principle of raising the threshold for capitalizing personal property from \$25 thousand to \$50 thousand resulted in a prior period adjustment of \$839 thousand on the Statement of Net Position. Revaluation of assets using the new threshold is reflected in FY 2005 balances.

*Note 2 – Fund Balance with Treasury and Cash*

<b>Fund balances</b>	<b>(in thousands)</b>	<b>2006</b>	<b>2005</b>
Appropriated funds		\$ 144,881	\$ 141,835
Revolving fund		29,306	23,413
Trust fund		292	1,887
Gift fund		14	96
Other Funds		190	-
<b>Sub-total</b>		<b>174,683</b>	<b>167,231</b>
Investments		28,500	26,609
Less interest receivable on investments		(176)	(8)
Less Investments held outside Treasury		(20,694)	(11,861)
Imprest Fund (Cash)		49	48
<b>Total</b>		<b>\$ 182,362</b>	<b>\$ 182,019</b>

**Status of fund balances with Treasury**

Unobligated balance			
Available		50,440	60,052
Unavailable		14,078	14,662
Obligated balance not yet disbursed		117,654	107,305
Other funds		190	-
<b>Total</b>		<b>\$ 182,362</b>	<b>\$182,019</b>

**Unavailable unobligated balance includes the following**

Allotments – Expired authority	\$ 14,078	\$ 14,662
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Restricted donations, included in the available unobligated 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 restricted as to purpose. The restricted

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unobligated balance is \$ 12,483 thousand as of September 30, 2006, and \$ 12,916 thousand as of September 30, 2005.

Other Funds represents Non-Entity FBWT funds, consisting of revenue collected and due to the Reagan and Clinton Foundations subject to revenue sharing agreement with the Trust Fund. It is offset by an equal liability in Other Liabilities, Due to Others.

The unused fund balances of \$ 4,539 thousand in canceled appropriations for FY 2001 are returned to Treasury at the end of the fiscal year.

*Note 3 – Investments*

Investments as of September 30, 2006 and September 30, 2005 consist of the following (*in thousands*):

<b>Amounts for 2006 Balance Sheet Reporting</b>						
	Cost	Amortization Method	Amortized (premium) discount	Investments, Net	Other Adjustments	Market value disclosure
<b>Intragovernmental Securities</b>						
Marketable	\$ 7,630	<b>Straight</b>	\$ -	\$ 7,630	\$ -	\$ 7,630
Accrued interest	1		-	1	-	1
<b>Total intragovernmental</b>	<b>\$ 7,631</b>	<b>Line</b>	<b>\$ -</b>	<b>\$ 7,631</b>	<b>\$ -</b>	<b>\$ 7,631</b>
<b>Other securities</b>						
Money Market Funds	57		-	57		57
Focused Core Funds	11,245		-	11,245	190	11,435
Vanguard Developed Market Index Fund	891		-	891	(2)	889
Vanguard Total Bond Market Index Fund - Admiral	6,357		-	6,357	129	6,486
Vanguard Total Stock Market Index Fund - Admiral	898		-	898	19	917
Vanguard PRIMECAP Core Fund	892		-	892	18	910
Accrued Interest	175		-	175	-	175
Total other	20,515		-	20,515	354	20,869
<b>Total Investments</b>	<b>\$28,146</b>		<b>\$ -</b>	<b>\$28,146</b>	<b>\$ 354</b>	<b>\$28,500</b>

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

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**Amounts for 2005 Balance Sheet Reporting**

	Cost	Amortization Method	Amortized (premium) discount	Investments, Net	Other adjustments	Market value disclosure
<b>Intragovernmental Securities</b>						
Marketable	\$ 14,793	<b>Straight</b>	\$53	\$ 14,740	\$(1)	\$ 14,739
<b>Total intragovernmental</b>	<u>14,793</u>	<b>Line</b>	<u>53</u>	<u>14,740</u>	<u>(1)</u>	<u>\$ 14,739</u>
<b>Other securities</b>						
Cash Equivalents	22			22		22
Corp. & foreign Bonds	1			1		1
Closed-end Fixed Income	11,838			11,838		11,838
Accrued interest	8			8		8
Total other	<u>11,869</u>			<u>11,869</u>		<u>11,869</u>
<b>Total investments</b>	<u>\$ 26,662</u>		<u>\$ 53</u>	<u>\$ 26,609</u>	<u>\$ (1)</u>	<u>\$ 26,608</u>

*Intra-governmental Investments in Treasury Securities-Investments for Earmarked Funds*

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. 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-wide 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 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. This is the same way that the Government finances all other expenditures.

*Note 4 – Accounts Receivable, Net*

Accounts receivable and allowances for uncollectible accounts consisted of the following:

(in thousands):

	2006		2005	
	Intra-governmental	With the public	Intra-Governmental	With the public
Accounts receivable	\$12,486	\$ 656	\$ 9,181	\$ 867
Allowance for uncollectible accounts	-	(3)	-	(4)
<b>Accounts receivable, net</b>	<u>\$12,486</u>	<u>\$653</u>	<u>\$ 9,181</u>	<u>\$ 863</u>

*Note 5 – Inventories*

Inventories consist of merchandise held available for current sale at gift shops in the Presidential Libraries and the National Archives buildings. There was no change to the allowance estimate for

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the quarter ending September 30, 2006.

(in thousands)

	2006	2005
Inventory held for sale	\$1,373	\$ 1,609
Allowance for damaged and obsolete goods	(263)	(505)
<b>Net realizable value</b>	<b>\$1,110</b>	<b>\$ 1,104</b>

*Note 6 - General Property, Plant, and Equipment, Net*

The following components comprise Property, Plant, and Equipment as of September 30, 2006 and September 30, 2005 (in thousands):

Asset category	Estimated useful life in years	Acquisition cost	Accumulated depreciation/ amortization	2006 Net book value	2005 Net book value
Land	N/A	\$ 6,159	\$ -	\$ 6,159	\$ 6,159
Buildings and structures	30	387,189	(156,218)	230,971	243,919
Construction and shelving in progress		7,782	-	7,782	5,462
Equipment & Shelving	3 to 20	59,158	(37,126)	22,032	22,295
Leasehold improvements	5	3,430	(444)	2,986	3,180
Assets under capital lease	20	5,284	(2,698)	2,586	2,850
Internal-use software	5	41,998	(25,421)	16,577	16,605
Software development in progress		50,653	-	50,653	11,332
<b>Total property, plant and equipment</b>		<b>\$ 561,653</b>	<b>\$ (221,907)</b>	<b>\$ 339,746</b>	<b>\$ 311,802</b>

Buildings and structures presented on the balance sheet include the National Archives at College Park and the Southeast Regional Archival Facility in Atlanta, GA which are multi-use heritage assets. All other buildings are deemed to be heritage assets and are not included in the general PP&E and are described further in Note 7.

*Note 7 - Stewardship PP&E*

NARA classifies all Presidential Libraries and the National Archives Building in Washington, DC, as heritage assets, as well as all the holdings which include artifacts, traditional holdings and electronic holdings. NARA's heritage assets are integral to the mission of the National Archives and Records Administration to safeguard, preserve, and ensure continuing access to the records of our Government. Heritage assets are not included on the Balance Sheet, as no financial value is, nor can be, placed on these assets. 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 detailed in Note 16.

Two of NARA's buildings, National Archives facility at College Park and the Southeast Regional Archival facility in Atlanta, GA, are classified as multi-use heritage assets. 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.

Physical quantity of heritage and multi-use assets, the current condition of general and heritage assets PP&E and estimated cost of deferred maintenance is reported in Required Supplementary Information.

*Note 8 – Other Assets*

Other assets as of September 30, 2006 and September 30, 2005, consist of the following  
(in thousands):

	2006		2005	
	Intra-governmental	With the public	Intra-governmental	With the public
Other assets	\$ -	\$ 975	\$ -	\$ 1,029
Advances-travel	-	2	-	-
<b>Total other assets</b>	<b>\$ -</b>	<b>\$ 977</b>	<b>\$ -</b>	<b>\$ 1,029</b>

Other assets consist mainly of an unamortized balance of a one-time cost of obtaining an operating lease. This cost is deferred and is being amortized over the lease term as additional rent expense.

*Note 9 – Liabilities not covered by Budgetary Resources*

Liabilities not covered by budgetary resources as of September 30, 2006 and September 30, 2005, consist of the following:

	2006		2005	
	Intra-governmental	With the public	Intra-governmental	With the public
Debt held by the public (including accrued interest)	\$ -	\$ 226,938	\$ -	\$ 236,259
Other	339	19,238	258	21,840
<b>Total liabilities not covered by budgetary resources</b>	<b>339</b>	<b>246,176</b>	<b>258</b>	<b>258,099</b>
<b>Total liabilities covered by budgetary resources</b>	<b>8,235</b>	<b>44,044</b>	<b>6,562</b>	<b>27,778</b>
<b>Total liabilities</b>	<b>\$ 8,574</b>	<b>\$ 290,220</b>	<b>\$ 6,820</b>	<b>\$ 285,877</b>

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. Beginning in FY 2006, the trust and revolving funds funded the annual leave earned, but not yet used; therefore it is now included in the Total liabilities covered by budgetary resources.

Total other intragovernmental liabilities of \$339 thousand as of September 30, 2006 and \$258 thousand for FY 2005 represent workers' compensation claims paid by the Department of Labor (DOL). The other liabilities with the public of \$19,238 thousand for FY 2006 and \$21,840 thousand for FY 2005, consists of unfunded annual leave of \$9,018 thousand and \$12,497 thousand, and workers' compensation of \$10,220 thousand and \$9,342 thousand, respectively. These represent estimated future costs that have been actuarially determined and regarded as a liability to the public because neither the costs nor reimbursement have been recognized by DOL for the corresponding years.

*Note 10 - 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 in installment payments to be made by NARA semiannually.

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Although the full amount financed, \$301,702 thousand, was included (scored) for U.S. budget estimation purposes in FY 1989, NARA requires an annual 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.

**Unpaid Principal Balance (in thousands)**

2006 Beginning Balance	\$ 234,567
Less: FY 2006 Debt Repayment	<u>9,225</u>
<b>Ending balance - Principal, at September 30, 2006</b>	<b>225,342</b>
Accrued interest payable	<u>1,596</u>
<b>Total Debt at September 30, 2006</b>	<b><u>\$ 226,938</u></b>

*Note 11 – Other Liabilities*

Other Liabilities as of September 30, 2006 and September 30, 2005, consists of the following:

(in thousands)

	<b>2006</b>		
	<b>Non-Current</b>	<b>Current</b>	<b>Total</b>
Intragovernmental			
Workers' compensation	\$ 1,460	\$ 1,061	\$ 2,521
Capital lease liability	794	274	1,068
Accrued payroll	-	1,476	1,476
Advances from others	-	852	852
<b>Total Intragovernmental</b>	<b>\$ 2,254</b>	<b>\$ 3,663</b>	<b>\$ 5,917</b>
Workers' compensation	\$ 10,220	\$ -	\$ 10,220
Accrued funded payroll and leave	-	10,529	10,529
Unfunded leave	9,018	-	9,018
Other liabilities	-	268	268
Advances from others	-	99	99
Due to others	-	199	199
<b>Total other liabilities</b>	<b>\$ 21,492</b>	<b>\$ 14,758</b>	<b>\$ 36,250</b>
	<b>2005</b>		
	<b>Non-Current</b>	<b>Current</b>	<b>Total</b>
Intragovernmental			
Workers' compensation	963	877	\$1,840
Capital lease liability	1,216	398	1,614
Accrued payroll	-	-	-
Other liabilities	-	-	-
<b>Total Intragovernmental</b>	<b>2,179</b>	<b>1,275</b>	<b>3,454</b>
Workers' compensation	9,342	-	9,342
Accrued funded payroll and leave	-	7,243	7,243
Unfunded leave	12,497	-	12,497
Advances from others	-	424	424
<b>Total other liabilities</b>	<b>\$24,018</b>	<b>\$8,942</b>	<b>\$ 32,960</b>

The liability for workers' compensation includes an estimated future costs. Estimated future costs have been actuarially determined and are regarded as a liability to the public because neither the costs nor reimbursement have been recognized by DOL. Workers' compensation is described in Note 1N, Summary of Significant Accounting Policies, and is included in Liabilities Not Covered by Budgetary Resources, as described in Note 9.

Accrued annual leave consists of employees' unpaid leave balances at September 30, 2006 and reflects wage rates in effect at the time of calculation. Accrued annual leave is described in Note

1P, Summary of Significant Accounting Policies, and is included in Liabilities Not Covered by Budgetary Resources for OE funds, as described in Note 9.

*Note 12 – 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.

The NARA revolving fund conducts the major part of its operation from leased facilities. Most of the leases are cancelable operating leases. These leases may be cancelled with four months notice, or, in the case of the new Atlanta lease, may be terminated for convenience by NARA, under the provisions of the Federal Acquisitions Regulation.

Two leases are classified as capital leases. The capital leases represent the liability for shelving leased through GSA at the Dayton and Philadelphia records facilities. They expire in September 2007 and December 2014, respectively. The schedule below shows the future minimum payments under capital leases with the present value of the future minimum lease payments (in thousands):

<b>Capital Leases –NARA as lessee</b>	<b>2006</b>	<b>2005</b>
Summary of assets under capital lease:		
Shelving	\$ 5,284	\$ 5,284
Accumulated amortization	2,698	2,434

**Description of Lease Arrangements**

<b>Future payments due</b>	
<u>Fiscal year</u>	
2007	\$344
2008	146
2009	146
2010	146
2011	146
After 2010	452
Total future lease payments	1,380
Less: imputed interest	312
<b>Net capital lease liability</b>	<b>\$ 1,068</b>

Net capital lease liability is covered by budgetary resources, and included in Intragovernmental Liabilities, Other.

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NARA has non-cancelable operating leases with GSA which cover the Pittsfield, MA, Dayton (Kingsridge), OH, and Lenexa, KS records facilities. The lease periods are January 5, 1994, through January 4, 2014 for the Pittsfield lease; September 1, 2004, through December 31, 2022, for the Dayton (Kingsridge) lease; and February 1, 2003, through January 31, 2023, for the Lenexa lease. The leases include no renewal options. The leases include escalation clauses for operating costs tied to inflationary increases and for real estate taxes tied to tax increases. (Note: The minimum future lease payments include estimated escalations for operating costs and real estate taxes. These amounts will be adjusted to the actual costs GSA incurs for operating costs and real estate taxes for each lease.)

NARA has non-cancelable operating leases with public corporations which cover the Perris, CA and Atlanta, GA records facilities. Both leases have three 10-year options to renew after the initial period. The lease periods for Perris, CA are December 1, 2004, through December 1, 2024 and for Atlanta, GA is October 1, 2004, through September 30, 2024. The leases include escalation clauses for operating costs tied to inflationary increases and for real estate taxes tied to tax increases. (Note: The minimum future lease payments include estimated escalations for operating costs and real estate taxes. These amounts will be adjusted to the actual costs incurred for operating costs and real estate taxes for each lease.)

NARA has a non-cancelable operating lease with Potomac Electric Power Company for land that is leased for a parking lot at National Archives II, College Park. The lease is for 20 years from May 2003 thru April 2023 and contains a set schedule of payments due. The schedule below shows the total future lease payments by asset class (in thousands):

**Operating Leases - NARA as lessee**

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Future payments due: Fiscal year	Asset Category	
	Land	Buildings
2006	\$ 120	\$ 9,588
2007	123	9,672
2008	126	9,828
2009	129	10,011
2010	132	10,127
After 2011	1,793	110,111
<b>Total future lease payments</b>	<b>\$ 2,423</b>	<b>\$ 159,337</b>

*Note 13 – Commitments and Contingencies*

NARA has incurred claims in the normal course of business. As of September 30, 2006, in the opinion of General Counsel, NARA has no material outstanding claims. The aggregate potential loss to NARA on all outstanding claims, with a reasonable possibility of an unfavorable outcome is estimated not to exceed \$ 300 thousand. This amount reflects the fact that any settlements or awards on a tort claim over \$2,500 are payable by the U.S. Treasury Judgment Fund, and not by NARA.



*Note 14 - Earmarked Funds*

Congress established the National Archives Trust Fund Board to receive and administer gifts and bequests of money and other personal property and to receive monies from the sale of reproduction 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.

National Archives Trust Fund Board administers the National Archives Trust Fund (NATF) and the National Archives Gift Fund (NAGF). NATF finances and administers the reproduction or publication of records and other historical materials for the benefit of NARA. 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.

Cumulative results of operations are reported as restricted or unrestricted. Restricted cumulative results of operations represent the net of donations and disposition of donations to the Gift Fund in accordance with terms of the donor. All donations and related expenses to Presidential Libraries, and donations and related expenses to National Archives Gift Fund activities with specific requirements are considered restricted; all others are reported as unrestricted.

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Financial Information for NATF and NAGF as of September 30, 2006, consists of the following:

(in thousands)	2006		
	NATF	NAGF	Total Earmarked Funds
<b>Assets</b>			
Fund balance with Treasury	\$482	\$ 14	\$ 496
Cash	49	-	49
Investments, net	12,586	15,914	28,500
Accounts receivable	529	6	535
Inventory	1,110	-	1,110
Property, plant and equipment	76	-	76
<b>Total assets</b>	<b>14,832</b>	<b>15,934</b>	<b>30,766</b>
<b>Liabilities</b>			
Accounts payable	540	140	680
Other liabilities	912	-	912
<b>Total liabilities</b>	<b>1,452</b>	<b>140</b>	<b>1,592</b>
<b>Net position</b>			
Cumulative results of operations			
Restricted	-	12,483	12,483
Unrestricted	13,380	3,311	16,691
<b>Total net position</b>	<b>13,380</b>	<b>15,794</b>	<b>29,174</b>
<b>Total liabilities and net position</b>	<b>14,832</b>	<b>15,934</b>	<b>30,766</b>
<b>Statement of Net Cost for the Period Ended September 30</b>			
Gross Program Costs	16,264	1,665	17,929
Less Earned Revenues	16,923	-	16,923
Net Costs of Operations	(659)	1,665	1,006
<b>Statement of Changes in Net Position For the Period Ended September 30</b>			
Net position, Beginning of fiscal year	\$ 12,251	\$ 16,492	\$ 28,743
Non-exchange revenue	4	742	746
Donations	-	405	405
Other Budgetary Financing Sources	-	(7)	(7)
Imputed financing from costs absorbed by others	466	-	466
Other Financing Sources	-	(173)	(173)
Total financing sources	470	967	1,437
Net cost of operations	(659)	1,665	1,006
Change in Net Position	1,129	(698)	431
<b>Net Position, End of fiscal year</b>	<b>\$13,380</b>	<b>\$15,794</b>	<b>\$ 29,174</b>

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

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Financial Information for NATF and NAGF as of September 30, 2005, presented prior to intra-agency eliminations, consists of the following:

(in thousands)	2005	
	NATF	NAGF
<b>Assets</b>		
Fund balance with Treasury	\$ 1,887	\$ 95
Cash	48	-
Investments, net	10,209	16,401
Accounts receivable	679	-
Inventory	1,104	-
Property, plant and equipment	209	-
<b>Total assets</b>	<b>14,136</b>	<b>16,496</b>
<b>Liabilities</b>		
Accounts payable	798	4
Other liabilities	1,087	-
<b>Total liabilities</b>	<b>1,885</b>	<b>4</b>
<b>Net position</b>		
Cumulative results of operations		
Restricted	-	13,015
Unrestricted	-	3,477
<b>Total net position</b>	<b>12,251</b>	<b>16,492</b>
<b>Total liabilities and net position</b>	<b>\$ 14,136</b>	<b>\$ 16,496</b>
Net position, beginning of fiscal year	\$ 11,933	\$ 8,211
Change in net position		
Non-exchange revenue	1	578
Donations	-	9,366
Imputed financing from costs absorbed by others	469	(30)
Total financing sources	470	9,914
Net cost of operations	152	1,633
<b>Net position, end of fiscal year</b>	<b>\$ 12,251</b>	<b>\$ 16,492</b>

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*Note 15 – Intragovernmental Costs and Exchange Revenues by Program*

	<u>2006</u>	<u>2005</u>
<b>Records and archives-related services</b>		
Intragovernmental gross costs	\$ 51,511	\$ 50,771
Public costs	233,739	229,536
Total Records and archives-related services costs	<u>285,250</u>	<u>280,307</u>
Intragovernmental earned revenue	1,244	267
Public earned revenue	-	380
Total Records and archives-related service earned revenue	<u>1,244</u>	<u>647</u>
<b>Trust and Gift Funds</b>		
Intragovernmental gross costs	2,863	1,848
Public costs	10,634	13,426
Heritage asset renovation cost	634	880
Total Trust and Gift Funds costs	<u>14,131</u>	<u>16,154</u>
Intragovernmental earned revenue	1,064	551
Public earned revenue	15,859	15,754
Total Trust and Gift Funds earned revenue	<u>16,923</u>	<u>16,305</u>
<b>Electronic Records Archives</b>		
Intragovernmental gross costs	4,656	3,736
Public costs	1,755	31,919
Total Electronic records archives costs	<u>6,411</u>	<u>35,655</u>
<b>National Historical Publications and Records Commission grants</b>		
Intragovernmental gross costs	-	49
Public costs	7,014	7,259
Total National Historical Publications and Records Commission grants costs	<u>7,014</u>	<u>7,308</u>
<b>Archives facilities and presidential libraries repairs and restoration</b>		
Intragovernmental gross costs	162	231
Public costs	382	470
Heritage asset renovation cost	11,942	10,390
Total Archives Facilities and presidential libraries repairs and restoration costs	<u>12,486</u>	<u>11,091</u>
<b>Revolving fund records center storage and services</b>		
Intragovernmental gross costs	67,609	73,004
Public costs	75,741	70,820
Total Revolving fund records center storage and services costs	<u>143,350</u>	<u>143,824</u>
Intragovernmental earned revenue	134,582	131,030
Public earned revenue	979	993
Total Revolving fund records center storage and service earned revenue	<u>\$ 135,561</u>	<u>\$ 132,023</u>

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.

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

*Note 16 – 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, as of September 30, 2006 and September 30, 2005 (in thousands):

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Asset	2006			2005		
	<u>Gift</u>	<u>Trust</u>	<u>Appropriation</u>	<u>Gift</u>	<u>Trust</u>	<u>Appropriation</u>
National Archives Building	\$ 300	\$ -	\$ 5,973	\$ -	\$ -	\$4,530
<u>Libraries:</u>						
Roosevelt			449	251		1,020
Hoover			930			83
Truman			55			391
Eisenhower			141			245
Kennedy	66	43	468			855
Johnson			2,553			606
Nixon			510			112
Ford			234			196
Carter			386			1,048
Reagan		225	227		629	283
Bush			7			1,020
Clinton			9			
<b>Total</b>	<b>\$ 366</b>	<b>\$ 268</b>	<b>\$ 11,942</b>	<b>\$ 251</b>	<b>\$ 629</b>	<b>\$10,390</b>

As of September 30, 2006, the Nixon Library had not been transferred to NARA. The costs included are for the efforts to evaluate the condition of the building prior to acceptance of the library building.

During a severe storm in Washington, DC, in June 2006, a combination of clogged storm drains along Constitution Avenue, and a massive Pepco power outage resulted in significant water damage to the sub-basement level of the National Archives Building, including the William G. McGowan Theater. NARA redirected significant resources for damage containment; repairs and restoration of the National Archives Building, as reflected above, in the amount of \$2,196 thousand for FY 2006. Due to intense containment efforts by NARA, no water damage resulted to NARA's extensive records holdings.

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

*Note 17 – Stewardship Assets Acquired Through Transfer, Donation or Devise*

NARA has 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, including the type and quantity of heritage assets added during the fiscal year.

*Note 18 – Exchange Revenues*

Records Administration Conference (RACO) Fees were determined based on attendance levels and costs in FY 2005 plus modest inflationary increases. The fees are as follows: \$295 per registrant and \$1,650 per vendor exhibit.

Records Management Program Training Course The basic per day charge for records management training classes is \$150. This fee is based on the salary and benefits for a full time program administrator, training costs for new trainers and additional training for existing trainers, and direct overhead costs (e.g., reproduction of class materials and preparation of training binders). In addition, this cost includes the purchase and updating of teaching and training aids and several computer software programs. This fee was based on a total Office of Records Services annual program average cost of \$120,000 per year with 800 training days (\$120,000/800=\$150).

Providing access to and assisting in reproducing foreign policy-related records in the Nixon Presidential Materials Project NARA is reimbursed for the salary and benefits of two NARA

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archival staff members providing assistance in reproducing foreign policy-related records in the Nixon Presidential Materials Project. In addition, NARA is reimbursed for reproduction costs at \$.15 per copy. This project was completed in FY 2005.

Office Support for Air Force Declassification Office Patrick Air Force Base employees are working at NARA on declassification of records. The Air Force provided funds for office support (wiring, furnishings, etc.) for the declassification employees. This project was completed in FY 2005.

Records Center Revolving Fund The program office develops transaction billing rates annually for the upcoming fiscal year. The rates are developed to ensure full cost recovery for the delivery of storage and services of records held by the fund for its customer agencies. The rate development process is reviewed for reasonableness by the revolving fund office and receives final approval from the Archivist. Adjustments, changes or additions to the rates are submitted to the Archivist for approval before implementation.

Orleans Parish Records Project for FEMA FEMA provided funding for NARA to remove records damaged by Hurricane Katrina as follows: Approximately 40 steel filing cabinets and more than 1,000 cubic feet of shelved records containing legal sensitive materials are required to be removed from an environmentally hazardous area. These hazards include, but are not limited to toxic materials from flood water and drugs and chemicals seized from criminal investigations. The records will be removed and transported to a facility to be frozen, freeze dried, then placed onto another medium such as microfiche, or digitized, as determined by an archivist.

*Note 19 - Apportionment Categories of Obligations Incurred*

OMB typically uses one of two categories to distribute budgetary resources 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 of these categories. In FY 2006, OMB retroactively designated NARA's Revolving and Gift funds as subject to apportionment. NARA's Trust fund remains exempt from apportionment.

The amounts of direct and reimbursable obligations incurred (in thousands).

	Category A		Category B		Exempt		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Direct	\$319,136	\$319,872	\$27,010	\$8,488	\$ -	\$30,152	\$346,146	\$358,512
Reimbursable	2,896	652	146,223	-	24,050	134,861	173,169	135,513
<b>Total</b>	<b>\$322,032</b>	<b>\$320,524</b>	<b>\$173,233</b>	<b>\$8,488</b>	<b>\$24,050</b>	<b>\$165,013</b>	<b>\$ 519,315</b>	<b>\$494,025</b>

*Note 20 - Legal Arrangements Affecting Use of Unobligated Balances*

Public Law 108-447, December 8, 2004, Division H, Title V, Section 511 authorized that up to 50 percent of NARA's unobligated balances remaining available at the end of FY 2005 to be available through the end of FY 2006. During FY 2006, \$310 thousand was transferred to 2006 appropriation account.

*Note 21 - 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 *Budget of the United States Government* (President's Budget) that will include FY 2006 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in January 2007. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

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Instead, NARA FY 2005 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.

<i>(in millions)</i>	<b>2005</b>			
	Budgetary Resources	Obligations Incurred	Unobligated Balance	Net Outlays
Statement of Budgetary Resources	\$284	\$268	\$16	\$266
Difference-Expired appropriations	15	-	15	-
Budget of the U.S. Government	\$269	\$268	\$ 1	\$266

*Note 22 – Undelivered orders at the end of the period*

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2006 and 2005 is \$87,744 thousand and \$83,324 thousand, respectively.

*Note 23 – Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods*

As of September 30, 2006 and 2005, budgetary resources were not yet available to fund certain liabilities reported on the balance sheet. For the balances in question, most are long-term in nature where funding is generally made available in the year the payments are anticipated. Debt held by the public is not covered by budgetary resources. The others are included as "Other liabilities" on the balance sheet and consist of annual leave liability and unfunded workers' compensation. The increase in annual leave liability is shown as a separate line item on the statement of financing. Changes to workers' compensation are included in "Other components requiring or generating resources in future periods."

## Required Supplementary Information

### Stewardship PP&E

As described in Note 7, major categories of heritage assets for NARA are buildings designated as heritage or multi-use heritage assets, and NARA archival holdings, detailed below.

	Balance 9-30-05	Additions	Deletions	Balance 9-30-06
<b>Record types</b>				
<b>Artifacts (# of items)</b>				
Presidential libraries	542,056			542,056
Office of Regional Records Services Washington, DC	20			20
	1,488			1,488
<b>Total</b>	<b>543,564</b>	<b>0</b>	<b>0</b>	<b>543,564</b>
<b>Traditional holdings (in cubic feet)</b>				
Presidential libraries	231,571	1,264		232,835
Office of Regional Records Services Washington, DC	677,352	7,217		684,569
Affiliated archives	2,245,648	123,867		2,369,515
	12,425			12,425
<b>Total</b>	<b>3,166,996</b>	<b>132,348</b>	<b>0</b>	<b>3,299,344</b>
<b>Electronic holdings (in logical data records)</b>				
Presidential libraries Washington, DC	35,308,040			35,308,040
	8,073,084,411	2,438,624,843		10,511,709,254
<b>Total</b>	<b>8,108,392,451</b>	<b>2,438,624,843</b>	<b>0</b>	<b>10,547,017,294</b>
<b>Non-record types</b>				
<b>Buildings and structures (in units)</b>				
Presidential libraries	18			18
National Archives Building	1			1
Multi-use heritage asset-building	2			2
<b>Total</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>21</b>
<b>Land in pieces, multi-use</b>	<b>2</b>			<b>2</b>

Archival holding consist of the following record types:

- Artifacts are objects whose archival value lies in the items themselves rather than in any information recorded upon them. The unit of measure for artifacts is the number of artifact items.
- Traditional Textual (paper) are records on paper whose intellectual content is primarily textual. The unit of measure for traditional textual is cubic feet.
- 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. The unit of measure for traditional non-textual is cubic feet.
- Electronic records are records on electronic storage media. The unit of measure for electronic records is the logical data record.



Multi-use heritage assets are comprised of National Archives facility at College Park and the Southeast Regional Archival facility in Atlanta, GA, and two pieces of land, which are sites for current or future multi-use regional archival facility. These are also included in general PP&E on the Balance Sheet (Note 6).

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 U.S.C. 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. Information about the condition and deferred maintenance information is contained in the Deferred Maintenance section of the Required Supplementary Information.

### *Deferred Maintenance*

NARA owns, builds, purchases, and manages assets including the National Archives Building, the National Archives at College Park, MD, the Southeast Regional Archives building in Atlanta, GA the Presidential Libraries, and land for a future regional archive building. All of these support the stated mission of NARA. Recent major renovations have been completed at the National Archives Building and many of the Presidential Libraries.

NARA uses the condition assessment method to determine the condition of fixed assets, including stewardship PP&E facilities. The condition assessment surveys (CAS) at NARA are conducted by a professional architectural firm, who performs Building Condition Reports (BCR) for all NARA owned facilities on a periodic basis. NARA uses a five-year schedule so all buildings will have a BCR completed on a five year cycle. Facility managers will continue to perform condition assessments annually to identify 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.

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.

At the end of FY 2006, needed maintenance projects for 13 locations, including ten 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	\$29 to 30 million
Multi-use assets - Buildings	CAS	Good	\$9 to 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 deferred maintenance on building and equipment in good condition.

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- *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.

It is NARA's mission to safeguard and preserve numerous heritage asset holdings in our custody. NARA makes tremendous daily efforts to ensure their continued preservation. The costs, identified by BCRs, to address serious deficiencies related to safety and protection of valuable materials are reflected in the Deferred Maintenance estimate, above.

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*Required Supplementary Information*  
*Schedule of Budgetary Resources by Major Budget Accounts (in thousands)*

Fiscal Year 2006	Records and Archives-Related Services	Gift Fund	Trust Fund
<b>Budgetary Resources</b>			
Unobligated balance, brought forward October 1:	15,135	4,622	10,965
Recoveries of prior year unpaid obligations	4,563	7	183
Budget authority			
Appropriations	283,045	1,765	-
Spending authority from offsetting collections			
Earned			
Collected	12,369	-	17,036
Change in receivables from Federal sources	(100)	-	(467)
Change in unfilled customer orders			
Advance received	851	-	(325)
Without advance from Federal sources	-	-	-
Subtotal	296,165	1,765	16,244
Nonexpenditure transfer, net, anticipated and actual	2,000	-	-
Permanently not available	16,594	-	-
<b>Total Budgetary Resources</b>	<b>301,269</b>	<b>6,394</b>	<b>27,392</b>
<b>Status of Budgetary Resources</b>			
Obligations incurred			
Direct	283,280	4,030	-
Reimbursable	3,600	-	24,050
Subtotal	286,880	4,030	24,050
Unobligated balance			
Apportioned	1,224	2,364	-
Exempt from apportionment	-	-	3,342
Subtotal	1,224	2,364	3,342
Unobligated balance not available	13,165	-	-
<b>Total Status of Budgetary Resources</b>	<b>301,269</b>	<b>6,394</b>	<b>27,392</b>
<b>Change in Obligated Balance:</b>			
Obligated balance, net,			
Unpaid obligations, brought forward October 1	47,287	5	1,853
Less: Uncollected customer payments from Federal Sources, brought forward October 1	(108)	-	(674)
Total unpaid obligated balance, net	47,179	5	1,179
Obligations incurred net	286,880	4,030	24,050
Less: Gross outlays	272,908	3,887	23,185
Less: Recoveries of prior year unpaid obligations, actual	4,563	7	183
Change in uncollected customer payments from Federal sources	100	-	467
Obligated balances, net, end of period			
Unpaid obligations	56,696	140	2,535
Less: Uncollected customer payments from Federal sources	(8)	-	(207)
Total, unpaid obligated balance, net end of period	56,688	140	2,328
<b>Net Outlays:</b>			
Gross outlays	272,908	3,887	23,185
Less: Offsetting collections	13,220	-	16,711
Less: Distributed Offsetting receipts	99	-	-
<b>Net Outlays</b>	<b>259,589</b>	<b>3,887</b>	<b>6,474</b>

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*Schedule of Budgetary Resources by Major Budget Accounts (in thousands)*

Electronic Records Archives	NHPRC* Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
3,684	492	19,392	20,424	74,714
631	137	387	1,682	7,590
37,914	7,500	9,682	-	339,906
-	-	127	137,420	166,952
-	-	-	3,300	2,733
-	-	-	-	526
37,914	7,500	9,809	8,557	8,557
-	(2,000)	-	149,277	518,674
379	75	97	-	-
41,850	6,054	29,491	-	17,145
			171,383	583,833
32,848	5,006	20,982	-	346,146
-	-	-	145,519	173,169
32,848	5,006	20,982	145,519	519,315
8,089	1,048	8,509	25,864	47,098
-	-	-	-	3,342
8,089	1,048	8,509	25,864	50,440
913	-	-	-	14,078
41,850	6,054	29,491	171,383	583,833
38,847	10,983	6,124	12,141	117,240
-	-	-	(9,153)	(9,935)
38,847	10,983	6,124	2,988	107,305
32,848	5,006	20,982	145,519	519,315
41,741	6,703	9,945	131,528	489,894
631	137	387	1,682	7,590
-	-	-	(11,856)	(11,289)
29,323	9,148	16,775	24,451	139,068
-	-	-	(21,009)	(21,224)
29,323	9,148	16,775	3,442	117,844
41,741	6,703	9,945	131,528	489,897
-	-	127	137,421	167,479
-	-	-	-	99
41,741	6,703	9,818	(5,893)	322,319

\*National Historical Publications and Records Commission

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*Required Supplementary Information*  
*Schedule of Budgetary Resources by Major Budget Accounts (in thousands)*

Fiscal Year 2005	Records and Archives- Related Services	Gift Fund	Trust Fund
<b>Budgetary Resources</b>			
Unobligated balance, brought forward October 1:	5,376	7,935	9,583
Recoveries of prior year unpaid obligations	13,969	92	1,552
Budget authority			
Appropriations	266,945	10,215	-
Spending authority from offsetting collections			
Earned			
Collected	9,677	-	16,209
Change in receivables from Federal sources	(295)	(46)	106
Change in unfilled customer orders			
Advance received	-	-	96
Without advance from Federal sources	-	-	(2)
Anticipated for rest of year, without advances			
Subtotal	276,327	10,169	16,409
Nonexpenditure transfer, net, anticipated and actual			
Permanently not available	14,338		
<b>Total Budgetary Resources</b>	<b>281,334</b>	<b>18,196</b>	<b>27,544</b>
<b>Status of Budgetary Resources</b>			
Obligations incurred			
Direct	265,547	13,573	16,579
Reimbursable	652	-	-
Subtotal	266,199	13,573	16,579
Unobligated balance			
Apportioned	667	-	-
Exempt from apportionment		4,623	10,965
Subtotal	667	4,623	10,965
Unobligated balance not available			
	14,468	-	-
<b>Total Status of Budgetary Resources</b>	<b>281,334</b>	<b>18,196</b>	<b>27,544</b>
<b>Change in Obligated Balance:</b>			
Obligated balance, net,			
Unpaid obligations, brought forward October 1	68,455	306	2,293
Less: Uncollected customer payments from Federal Sources, brought forward October 1	(403)	(46)	(569)
Total unpaid obligated balance, net	68,052	260	1,724
Obligations incurred net	266,199	13,573	16,579
Less: Gross outlays	273,397	13,783	15,467
Less: Recoveries of prior year unpaid obligations, actual	13,969	92	1,552
Change in uncollected customer payments from Federal Sources	295	46	(104)
Obligated balances, net, end of period			
Unpaid obligations	42,288	4	1,853
Less: Uncollected customer payments from Federal sources	(108)	-	(674)
<b>Total, unpaid obligated balance, net end of period</b>	<b>47,180</b>	<b>4</b>	<b>1,179</b>
<b>Net Outlays:</b>			
Gross outlays	273,397	13,783	15,467
Less: Offsetting collections	9,677	-	16,305
<b>Net Outlays</b>	<b>263,720</b>	<b>13,783</b>	<b>(838)</b>

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*Required Supplementary Information*  
*Schedule of Budgetary Resources by Major Budget Accounts (in thousands)*

Electronic Records Archives	NHPRC* Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
6,689	1,679	18,153	13,091	62,506
876	251	4,819	5,771	27,330
35,914	5,000	13,432	-	331,506
-	-	2	142,365	168,253
-	-	-	(5,175)	(5,410)
-	-	-	-	96
-	-	-	(768)	(770)
35,914	5,000	13,434	136,422	493,675
287	40	108	-	14,773
<b>43,192</b>	<b>6,890</b>	<b>36,298</b>	<b>155,284</b>	<b>568,738</b>
39,508	6,399	16,906	-	358,512
-	-	-	134,861	135,513
39,508	6,399	16,906	134,861	494,025
3,490	491	19,392	-	24,040
-	-	-	20,423	36,011
3,490	491	19,392	20,243	60,051
194	-	-	-	14,662
<b>43,192</b>	<b>6,890</b>	<b>36,298</b>	<b>155,284</b>	<b>568,738</b>
32,155	12,240	20,902	20,924	157,275
-	-	-	(15,095)	(16,113)
32,155	12,240	20,902	5,829	141,162
39,508	6,399	16,906	134,861	494,025
31,940	7,405	26,865	137,873	506,730
876	251	4,819	5,771	27,330
-	-	-	5,943	6,180
38,847	10,983	6,124	12,141	117,240
-	-	-	(9,153)	(9,935)
<b>38,847</b>	<b>10,983</b>	<b>6,124</b>	<b>2,988</b>	<b>107,305</b>
31,940	7,405	26,865	137,873	506,730
-	-	2	142,365	168,349
31,940	7,405	26,863	(4,492)	338,381

\* National Historical Publications and Records Commission





APPENDIX A

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

Under the authority of the Inspector General Act, the NARA Office of the Inspector General 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 that mission and help NARA achieve its strategic goals, we have aligned our programs to focus on areas that we believe represent the agency's most significant challenges. We have identified those areas as NARA's top ten management challenges and have identified the related audits, investigations, and reviews that were performed in FY 2006.

### 1. Electronic Records Archives (ERA)

NARA's challenge is to build a system that will accommodate past, present, and future formats of electronic records. By September 2007, NARA plans to have initial operating capability for ERA with planned incremental improvements that will eventually result in full system capability. The challenge will be to deliver and maintain a functional ERA system that will preserve electronic records for as long as needed.

### 2. Electronic Records Management (ERM)

NARA directs the Electronic Records Management (ERM) initiative, one of 24 Government-wide initiatives. The ERM initiative will provide guidance to agencies in managing and transferring to NARA, in an increasing variety of data types and formats, their permanent electronic records. NARA and its Government partners are challenged with determining how to manage electronic records, and how to make ERM and e-Government work more effectively.

### 3. Improving Records Management

NARA's mission is to ensure that Federal officials and the American public have ready access to essential evidence. NARA must work with Federal agencies to make scheduling, appraisal, and accessioning processes more effective and timely. The challenge is how best to accomplish this component of our overall mission and identify and react to agencies with critical records management needs.

*Audits, investigations and reviews performed in FY 2006:*

- Evaluation of NARA's Affiliated Archives Program
- Investigation related to the potential compromise of classified material

### 4. Information Technology Security

Information technology security continues to present major challenges for NARA. The authenticity and reliability of our electronic records and information technology systems are only as good as our IT security infrastructure. Each year, the risks and challenges to

IT security continue to evolve. 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 2006:*

- Audit of NARA's Network Perimeter
- Review of Modifications Made to the Performance-Based Task Order for Information Technology Support Services (ITSS)
- Investigation related to the Compromise of the Case Management Reporting System server and the Presidential Electronic Records Library server
- Review of NARA's Information Security Program
- Audit of System Administrator Rights and Controls
- OIG Monitoring of the Novell Netware/GroupWise Upgrade Project

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

In a democracy, the records of its 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. Of critical importance is NARA's role in ensuring the timeliness and integrity of the process of declassifying classified material held at NARA.

*Audits, investigations and reviews performed in FY 2006:*

- Evaluation of NARA's Affiliated Archives Program

## **6. 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 that house Federal records to meet defined physical and environmental requirements by FY 2009. NARA's challenge is to ensure compliance with these regulations internally as well as by other agencies that house Federal records.

## **7. Preservation Needs of Records**

The Archivist identified preservation as a material weakness under the FMFIA reporting process in FY 2005. NARA cannot provide public access to records to support researchers' needs unless it can preserve them for as long as needed. As in the case of our national infrastructure (bridges, sewer systems, etc.), NARA holdings grow older daily and are degrading. NARA is challenged to address this condition and related challenges.

*Audits, investigations and reviews performed in FY 2006:*

- Evaluation of NARA's Affiliated Archives Program

## **8. Improving Financial Management**

By inclusion under the Accountability of Tax Dollars Act of 2002, NARA is required to prepare audited financial statements in compliance with prescribed standards, subject to independent audit. NARA's challenge is to present timely, accurate, and useful financial

information for making day-to-day operating decisions supporting results-oriented management approaches and ensuring accountability on an ongoing basis.

*Audits, investigations and reviews performed in FY 2006:*

- Audit of NARA's Fiscal Year 2005 Financial Statements
- Evaluation of NARA's FY 2005 Management Control Program
- Management Letter related to Flawed Contract Performance Work Statement Could Have Adverse Impacts on NARA's Budgetary Resources

## **9. Physical and Holdings Security**

The Archivist has identified security of collections as a material weakness under the FMFIA reporting process. NARA must maintain adequate levels of security to ensure the safety and integrity of persons and holdings within our facilities. This is important in light of the new realities that face this nation post-September 11, and the risks that our holdings may be pilfered, defaced, or destroyed by fire or other natural disasters.

*Audits, investigations and reviews performed in FY 2006:*

- Review of NARA's Internal Control Procedures for Loan Items
- Management Letter related to Security over Holdings in Stack Areas
- Investigation related to Destruction of Federal Records
- Investigation related to the Recovery of Stolen G.E. Pickett Letter
- Investigation related to Mishandling and Improper Investigation of a Theft of Classified Documents
- Evaluation of NARA's Affiliated Archives Program
- Investigation related to possession of illicit drugs and potential firearms at Archives I
- Investigation related to inappropriate conduct during work hours

## **10. Strengthening Human Capital**

The GAO has identified human capital as a Government-wide high risk. NARA's challenge is to adequately assess its human capital needs in order to effectively recruit, retain, and train people with the technological understanding and content knowledge that NARA needs for future success.

*Audits, investigations and reviews performed in FY 2006:*

- Investigation related to a threat against NARA employees
- Investigation related to possession of illicit drugs and potential firearms at Archives I
- Investigation related to inappropriate conduct during work hours
- Investigation relating to an NARA employee that forged a NARA employment reference letter

APPENDIX B  
**FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT  
REPORT**



*National Archives and Records Administration*

700 Pennsylvania Avenue, NW  
Washington, DC 20408-0001

October 23, 2006

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

Enclosed is the Federal Managers' Financial Integrity Act (Integrity Act) report for Fiscal Year 2006 for the National Archives and Records Administration (NARA).

Pursuant to Section 2 of the Integrity Act, we identified a material weakness in our collections security program in FY 2001. In FY 2005, we identified a weakness in our preservation program. We have made progress in our actions to remedy the collections security weakness, but still have substantive work to do before we can remove it as a material weakness. Significant work was completed in FY 2006 to improve internal controls for our preservation program. We are downgrading it from a material weakness to a reportable condition and will continue close monitoring of the program through our agency's risk review board. We are also declaring a new reportable condition related to Information Technology (IT) documentation and will use the agency's risk review board to monitor improvements to internal controls. The following enclosures detail these actions:

- Enclosure A provides statistical summaries of NARA compliance with the Integrity Act
- Enclosure B summarizes progress in collections security and provides FY 2007 milestones and target dates
- Enclosure C summarizes progress on preservation program controls
- Enclosure D describes the reportable condition regarding IT documentation

It is my informed judgment that there is reasonable assurance that NARA's management controls are achieving their intended objectives. This assessment is based on management control evaluations and other written evaluations conducted in the 12 NARA offices and staff organizations and senior management's knowledge gained from the daily operations of NARA programs and systems. I have also relied upon the advice of the Office of the Inspector General concerning this statement of assurance.

Respectfully,

A handwritten signature in cursive script that reads "Allen Weinstein".

ALLEN WEINSTEIN  
Archivist of the United States

Enclosures (4)

NARA's web site is <http://www.archives.gov>

ENCLOSURE A  
STATISTICAL SUMMARY OF PERFORMANCE

Section 2. Management Controls

Number of Material Weaknesses

	<u>Number reported for the first time in</u>	<u>For that year, number that has been corrected</u>	<u>For that year, number still pending</u>
Prior Years	6	5	1
2004 Report	0	0	1
2005 Report	1	0	2
2006 Report	0	1	1
Total	7	6	1

Section 4. Financial Management Systems

Number of Material Non-conformances

	<u>Number reported for the first time in:</u>	<u>For that year, number that has been corrected:</u>	<u>For that year, number still pending</u>
Prior Years	0	0	0
2004 Report	0	0	0
2005 Report	0	0	0
2006 Report	0	0	0
Total	0	0	0

A-1 and 2

**ENCLOSURE B**  
**DESCRIPTION OF MATERIAL WEAKNESS IN INTERNAL CONTROLS**  
 Collections Security

NARA reported a material weakness in collections security in FY 2001. As reported in prior years, corrective steps have been taken, and many actions have been completed. In FY 2006, NARA convened an intra-office Collections Security Working Group to address remaining issues.

**Title and Description of Material Weakness:** Collections security

**Name of Responsible Program Manager:** Thomas Mills, Assistant Archivist for Regional Records Services

**Source of Discovery:** OIG investigation

**Appropriation/Account:** 110

**Pace of Corrective Action**

**Year Identified:** FY 2001

**Targeted Correction Date:** FY 2007

**Action and Validation Process That Will Be Used**

NARA will take further action in these areas to address this material weakness:

- 1. Employment screening** (for all staff that have access to archival records)
  - Ensure agency-wide procedures that address suitability for employment are in place
- 2. Staff training and monitoring**
  - Offer initial and annual training on collections security
- 3. Security for records storage areas**
  - Address costs and benefits of potential new security measures
  - Implement an internal control mechanism to regularly review access controls
- 4. Records control**
  - Regional records operations will maintain a current listing of all identified specially protected records and artifacts (SPRAs) that are stored in cages, vaults, safes, and other areas within regional archives.
  - Ensure that annual inspections of SPRAs are conducted.
  - Ensure that annual inventories are performed by two staff members.
- 5. Theft prevention and response**
  - Conduct regular audits of collections security policies and practices

**Results Indicators:**

Major Milestones	Milestone Dates
a. Review, and revise as appropriate, existing guidance on employment screening to ensure that all categories of staff, contractors, interns, and volunteers whose job duties permit them access to non-public areas are adequately covered in the guidance.	Second quarter, FY 2007
b. Prepare holdings security briefing for agency wide use with new hires. Implement policy where this	

**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2006**

briefing is conducted and documented within 30 days of hire.	Second quarter, FY 2007
c. Include annual staff refresher training in holdings security in agency-wide program unit work-plans	First quarter, FY 2007
d. Implement annual holdings security refresher training for staff, contractors, interns, volunteers, and other whose job duties provide access to non-public areas.	FY 2007
d. Program units agency-wide will document a review to ensure that local written policies for security in records storage areas are current. Documentation will include recommendations to strengthen local policies and intended actions where appropriate.	First quarter, FY 2007
e. Program units agency-wide will conduct an annual self-assessment as part of their management assurance protocols.	Third quarter, FY 2007
f. A collections security review will be incorporated into regular Physical and Life Safety Reviews. These reviews will cover at least 1 office of each major program area each year.	FY 2007
g. Program offices will include a collections security review as part of their formal program reviews. These reviews will cover at least 1 office of each major program areas each year.	FY 2007

**ENCLOSURE C**  
**DESCRIPTION OF MATERIAL WEAKNESS IN INTERNAL CONTROLS**

Preservation Program

NARA reported a material weakness in our preservation program in FY 2005. As noted below, significant works was done during FY 2006 to improve internal controls. We are downgrading this material weakness to a reportable condition for FY 2007 and will continue close monitoring of the program through our agency's risk review board.

**Title and Description of Material Weakness:** Preservation Program

**Name of Responsible Program Manager:** Michael J. Kurtz, Assistant Archivist for Records Services, Washington, DC

**Source of Discovery:** OIG audit and the Program Manager's assurance statement to the Archivist of the United States

**Appropriation/Account:** 110

**Pace of Corrective Action on Original Material Weakness**

**Year Identified:** FY 2005

**Original Targeted Correction Date:** FY 2007

**Status Change to Reportable Condition:** October 1, 2006

**Validation Process Used:** NARA has taken action in four areas to address this material weakness.

1. Identification of at-risk records
  - Refine risk assessment process  
NW, NR, NL and NWT have aligned the levels of risk and processes used to apply those criteria. The offices have created Risk Assessment Instructions and Definitions for all three offices.
  - Develop usage criteria that is standard across NARA program areas  
Differences in the usage criteria have been reconciled to ensure consistency.
  - Develop and implement staff training  
Training, to reflect consistency and changes in the at-risk criteria and integrated Instructions and Definitions, has been developed. This training will be provided during the first quarter of FY 2007.
2. Facilities standards
  - Create a Capital Improvements Plan  
NAS has completed a Capital Improvements Plan. This draft plan includes planned space changes to NARA-owned buildings such as renovations or expansions. All of this information will be further analyzed to determine funding priorities.
3. Performance Measurement
  - Develop a performance metric to track for medium- and low-risk projects  
NARA has developed a method to ensure that preservation work on medium- and low-risk projects is tracked.
4. Budget
  - Develop budgetary resources for baseline preservation requirements.  
NW, in cooperation with NR and NL, has identified budgetary resources required for preservation, and submitted budget initiatives for FY 2007 and FY 2008 budgets to the Archivist for consideration.

C-1



**Results Indicators:**

<b>Major Milestones</b>	<b>Milestone Dates</b>
Refine Risk Assessment Process	<b>COMPLETED:</b> April 30, 2006
Develop risk assessment usage criteria that are standard across NARA program areas.	<b>COMPLETED:</b> October 31, 2005
Develop and implement staff training for identification of at-risk records	<b>ON SCHEDULE:</b> October 31, 2006
Create a Capital Improvements Plan.	<b>COMPLETED:</b> August 1, 2006
Develop a performance metric to track medium- and low-risk.	<b>COMPLETED:</b> October 1, 2006
Develop budgetary resources for baseline preservation requirements for FY 2007 Budget Request	<b>COMPLETED:</b> September 16, 2005
Develop budgetary resources for baseline preservation requirements for FY 2008 Budget Request	<b>COMPLETED:</b> September 11, 2006

**ENCLOSURE D**  
**DESCRIPTION OF REPORTABLE CONDITION IN INTERNAL CONTROLS**  
Information Technology (IT) Documentation

**Title and Description of Reportable Condition:** Information Technology (IT) Documentation

In response to NARA's demonstrated progress since FY 2000, the OIG supported management's FY 2005 determination to remove IT security as a material weakness under provisions of FMFIA. Although the OIG has recommended that IT security be re-opened as a material weakness, we do not agree. We have found inconsistent levels of documentation within the IT Program, and believe that this constitutes a reportable condition in internal controls. An action plan will be devised and monitored internally by the NARA Risk Review Board.

The breadth of any IT program is enormous and touches an entire Federal agency. Another truth about IT is that it is the most rapidly changing aspect of how we do business. The scope of IT responsibilities is reflected in the intense work being done by the National Institute for Standards and Technology (NIST), which has been mandated by Congress to publish a compendium of computer security policy and guidance designed to assist Federal agencies in managing and securing their IT assets. The guidance documents are known as the "800 series" special publications.

Over the last two years especially, NIST has released a draft or final version of a major policy guidance every several months. The full set of the 800 series special publications is estimated to be greater than 10,000 pages, the majority of it recently published. In addition, NIST issued two Federal Information Processing Standards Publications (FIPS PUBS), which were mandated by FISMA and which require federal agencies to categorize all information systems and apply a recommended set of minimum security controls to those systems.

The NIST framework is distinguished by its primary criteria: that security measures be developed in a manner that is reasonable and appropriate to the business mission of the agency. The comprehensive and rigorous risk management approach to security is unique to the unclassified IT systems of the Federal Government, and has no parallel in private industry. While the guidance documents that support the FIPS requirements are superb in their own right, agencies are understandably hard-pressed to keep up with the tasks of interpreting the guidance as it is published, making the appropriate risk management decisions necessary to apply it in practice and documenting compliance with the underlying requirements. Management responsibility is further complicated by the novelty of the guidance, and even specialists with considerable computer security knowledge at the system level are "learning on the job" as the Government embraces this discipline of risk-management based IT security.

Revising old policy documentation and guidance to reflect new procedures and practices is the most time consuming and labor intensive part of this discipline, and it is in that area where agencies are most likely to fall behind. Nonetheless, proper documentation illuminates the intersection of the business mission and the expenditure of funds and resources to secure the assets needed to accomplish the mission, and is a critical element of the FISMA implementation project.

Recent NARA audit findings have highlighted numerous areas where IT documentation is lacking, out of date, or does not properly reflect the implementation decisions that are associated with requirements tied to FISMA, FMFIA, and other regulations that govern the acquisition and management of IT systems. Areas that are targeted for review and improvement include:

- Review and update of interim guidance and other policies in the 800 management series of directives
- Review and update of Capital Planning and Investment Control, Project Management, and Systems Development Lifecycle documentation
- System security documentation.

**Name of Responsible Program Manager:** Martha Morphy, Assistant Archivist for Information Services and Chief Information Officer.

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**Source of Discovery:** Internal review and the Program Manager's assurance statement to the Archivist of the United States

**Appropriation/Account:** 110

**Pace of Corrective Action**

**Year Identified:** FY 2006

**Targeted Correction Date:** FY 2008

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## APPENDIX C

### PROGRESS ON 2005 AUDIT RECOMMENDATIONS

The NARA Office of the Inspector General (OIG) contracted with Clifton Gunderson, LLP (CG) to audit financial statements as well as internal controls and operations. CG performed an audit of the consolidated financial statements of the National Archives and Records Administration as of September 30, 2005. In its final report dated November 3, 2005, CG reported certain matters involving the internal control and its operation. One of these was considered to be a reportable condition and one of these was deemed a material weakness. CG made 25 recommendations to correct these conditions. (The 2005 Internal Auditor's Report may be found on page 108 of NARA's 2005 Performance and Accountability Report.)

#### ***Area 1: Investments***

CG noted this area a material weakness and made one recommendations related to NARA's method of reporting obligations and outlays of non-federal investments held for sale. That recommendation is:

1. Continue to pursue with U.S. Treasury USSGL groups the SGL transactions and accounting scenarios for accounting for investments in non-federal securities and specifically in mutual funds.

Through September 30, 2006, NARA has provided documentation to the OIG and CG to satisfy this recommendation.

#### ***Area 2: Information Technology (IT)***

CG noted this area a reportable condition and made 13 recommendations related to software development and change controls, NARA's entity-wide security program, controls to protect the agency's information, and the agency's contingency plan. They are:

1. Obtain proper approvals before moving RCPBS application changes into the production environment.
2. Document test plans and test results for all RCPBS application changes.
3. Maintain documentation of Employee Clearance Records for all departing employees, with clear identification of which system/application access has been removed.
4. Revise Plan of Action and Milestones (POA&M) to include all required components as dictated per OMB M-04-25 instructions.
5. Ensure all current and future Records Center Program Billing System (RCPBS) and PRISM application users have documentation indicating approved access by their supervisor and system owner.
6. Review password configurations of all NARA maintained (i.e., RCPBS and PRISM) applications and applications outsourced to the Bureau of the Public

Debt (BPD) to ensure passwords are implemented in accordance with specifications for password usage established by the National Institute of Standards and Technology in Federal Information Processing Standards Publication 112, PASSWORD USAGE, and NARA's IT Security Handbook.

7. Enforce Directive 804 and ensure that user access to all NARA (i.e., PRISM and RCPBS) and Bureau of the Public Debt (BPD) hosted applications are re-certified on a regular basis in a joint effort by NARA IT managers and system owners.
8. Review all individuals with access to the computer room, determine if access is needed to perform their job responsibilities, and remove any access not required on either a frequent or emergency basis.
9. Modify NARA's records system (NARS5) user permissions to restrict access to the DAU file to only those individuals who require this access in order to perform their position responsibilities.
10. Incorporate logging (of user activity and failed logon attempts) functionality within the NARS5 and PRISM applications to the extent configurable within the application. Implement a process to review these logs on a regular basis. Also, incorporate such logging and audit trails in the functional requirements/design/configuration of any replacement systems (i.e., hosted by NARA or the Bureau of the Public Debt (BPD)).
11. Ensure all NARA point of contacts (POC) for outsourced applications maintain an up-to-date documented listing of all NARA user names and permissions.
12. Implement manual or automated validation edits to ensure daily batch transaction data transferred from the NARS5 application to the RCPBS application are received completely and accurately.
13. NARA should update the agency COOP plan to reflect all business functions at each NARA location.

Through September 30, 2006, NARA has provided documentation to the OIG and CG to satisfy numbers 1, 2, 4, 6, 8, 9, and 12 above. Partial documentation has also been provided for numbers 5, 7, and 11 above.

### **Area 3: Financial Reporting**

CG made three recommendations related to the general ledger (GL) system setup and posting model definition, review of obligations, and an integrated financial management system. They are:

1. Ensure that the GL system setup and posting model definition of the new service provider is in compliance with USSGL.
2. Develop a timetable that will permit the periodic timely review of obligations to meet the timelines established for external reporting in OMB Bulletin A-136, *Financial Reporting Requirements*.
3. Continue to evaluate the functional requirements to integrate the financial reporting, billing systems, property and equipment and a cost system with the

GL system and assess the degree of integration necessary to have a single, unified financial management system.

Through September 30, 2006, NARA has provided documentation to the OIG and CG to satisfy the above three recommendations.

#### ***Area 4: Property, Plant and Equipment (PPE)***

CG made three recommendations in this area. They are:

1. Finalize the policies and procedures for software development and completed software.
2. Track costs and maintain documentation related to the various software development phases to ensure compliance with Federal accounting capitalization standards..
3. Create a certification in-service document to evidence acceptance of the software by its owner and maintain the document as support for the depreciation start date.

Through September 30, 2006, NARA has provided partial documentation to the OIG and CG for numbers 1 and 2 above.

#### ***Area 5: Payroll***

CG made five recommendations in this area. They are:

1. Ensure that NARA's service provider(s) are in compliance with NARA's policy of maintaining appropriate supporting records for payroll deductions authorized by the employees and have them readily available for examination.
2. Enforce the policy of recording leave earned and used in ETAMS.
3. Ensure that documentation supporting payroll transactions is properly maintained and readily available for examination.
4. Enforce the policy of signing and dating the Supervisor Time and Attendance Certification Report.
5. Periodically review and reconcile payroll related records to ensure accuracy of information.

Through September 30, 2006, NARA has provided documentation to the OIG and CG to satisfy numbers 2 through 5 above.