

**R**eady  
Access  
to  
Essential Evidence

2004 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, electronic cable files from the State Department, 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.

Although we are a small agency, we are vital to continuity of Government, homeland security, public trust, and national morale.

- We give legal authority to emergency actions of the President and executive agencies through publication in the *Federal Register*.
- 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 are developing 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 are preserving and processing the records of the 9/11 Commission for the Government officials who need to consult them as they consider the Commission's recommendations.
- 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.

Never before has NARA played such a critical role in our Government, and never before have the stakes been higher for our success.

That is why I am pleased to present the National Archives and Records Administration's Performance and Accountability Report for FY 2004. 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 preexisting 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, but I must highlight one special achievement here.

On August 3, 2004, NARA announced the award of design contracts for our revolutionary system that will preserve and provide access to electronic records across space and time, the Electronic Records Archives. The goal of this system is to make Government electronic records available virtually anytime, anywhere, to anyone with Internet access.

Let me share an example of how critical this system will be. The personnel files for Americans serving in our armed forces in Iraq, Afghanistan, and around the world are in digital formats. Our service members depend on these records not only for their careers in the military, but subsequently to obtain veteran's benefits, jobs, and insurance. But today no one can guarantee to Americans serving in our armed forces that these electronic records can be preserved for as long as needed. The Electronic Records Archives will enable the U.S. Government to honor its commitment to veterans; it will enable us to maintain their digital military personnel files intact and authentic.

I encourage you to read the rest of this report to discover other strides we have made in helping Federal agencies address records management problems, making it easier for our customers to find and order copies of records, preserving at-risk records for future generations, streamlining the Government's rulemaking process, and much more.

We also have 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 is 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 the Office of the Inspector General concerning this statement of assurance.

Pursuant to Section 4 of the Integrity Act, the financial subsystems of NARA generally conform to the objectives detailed in OMB Circular A-127, revised. Although three systems (Order Fulfillment Accounting System; Trust Fund-Gift Fund Financial Review, Analysis, and Reporting System; and Records Center Revolving Fund financial management systems) are not in complete conformance because they fail to meet the financial management system requirements, the non-conformances are not deemed material.

NARA, through its internal control evaluation, identified two material weaknesses in previous fiscal years – computer security in FY 2000 and collections security in FY 2001. We have made substantial progress this year in eliminating both material weaknesses. These actions are outlined later in this report.

There is much more yet to be done, but I believe that our stakeholders and the public can be proud of their National Archives, which every day is protecting, preserving, and making available the essential evidence of our Government.

A handwritten signature in black ink, reading "John W. Carlin". The signature is written in a cursive style with a large initial "J" and "C".

John W. Carlin  
Archivist of the United States

November 1, 2004

## 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, 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 covers activities from October 1, 2003, to September 30, 2004.

## How to Use This Report

This report describes NARA's performance measures, results, and accountability processes for FY 2004. 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 [www.archives.gov/about\\_us/reports/reports.html](http://www.archives.gov/about_us/reports/reports.html).

This report has four major parts:

- **Management's Discussion and Analysis**

Look here for our agency-wide performance and use of resources in FY 2004. You also will find information on the strategies we use to achieve our goals and the management challenges and external factors that affect our performance.

- **Performance Section**

Look here for details on our performance by strategic goal and long-range performance target in FY 2004. This section covers the targets we were aiming for, 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 2004, 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 and other materials to aid in understanding this report.

## 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.

A New Hampshire man born in Italy to an American mother and an Italian father claimed he was a U.S. citizen and thus entitled to Social Security benefits but had no written documentation. He contacted our regional archives in Pittsfield, MA, in search of passenger arrival manifests for ships arriving in the United States in 1947, the year he came to America. An initial search turned up nothing, but then his brother recalled arriving on the *Saturnia* in the summer of 1947. A NARA archivist found him listed with his mother and brother as arriving on September 8, 1947. He wrote to NARA later thanking our staffer for “her determination and excellent researching abilities on my behalf in locating my immigration to the U.S.”

### ***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 and updated in 2003. This update acknowledged recent achievements, especially in the e-Government arena; 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, and from Atlanta to Anchorage, including Presidential libraries documenting administrations back to Herbert Hoover. Additionally, we publish the *Federal Register*, administer the Information Security Oversight Office (ISOO), and make grants for historical documentation through the National Historical Publications and Records Commission (NHPRC). 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 *inquire@nara.gov*, commenting on regulations at the Government-wide site *regulations.gov*, downloading milestone documents at *ourdocuments.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. An organizational chart, which provides an overview of NARA's structure, follows.

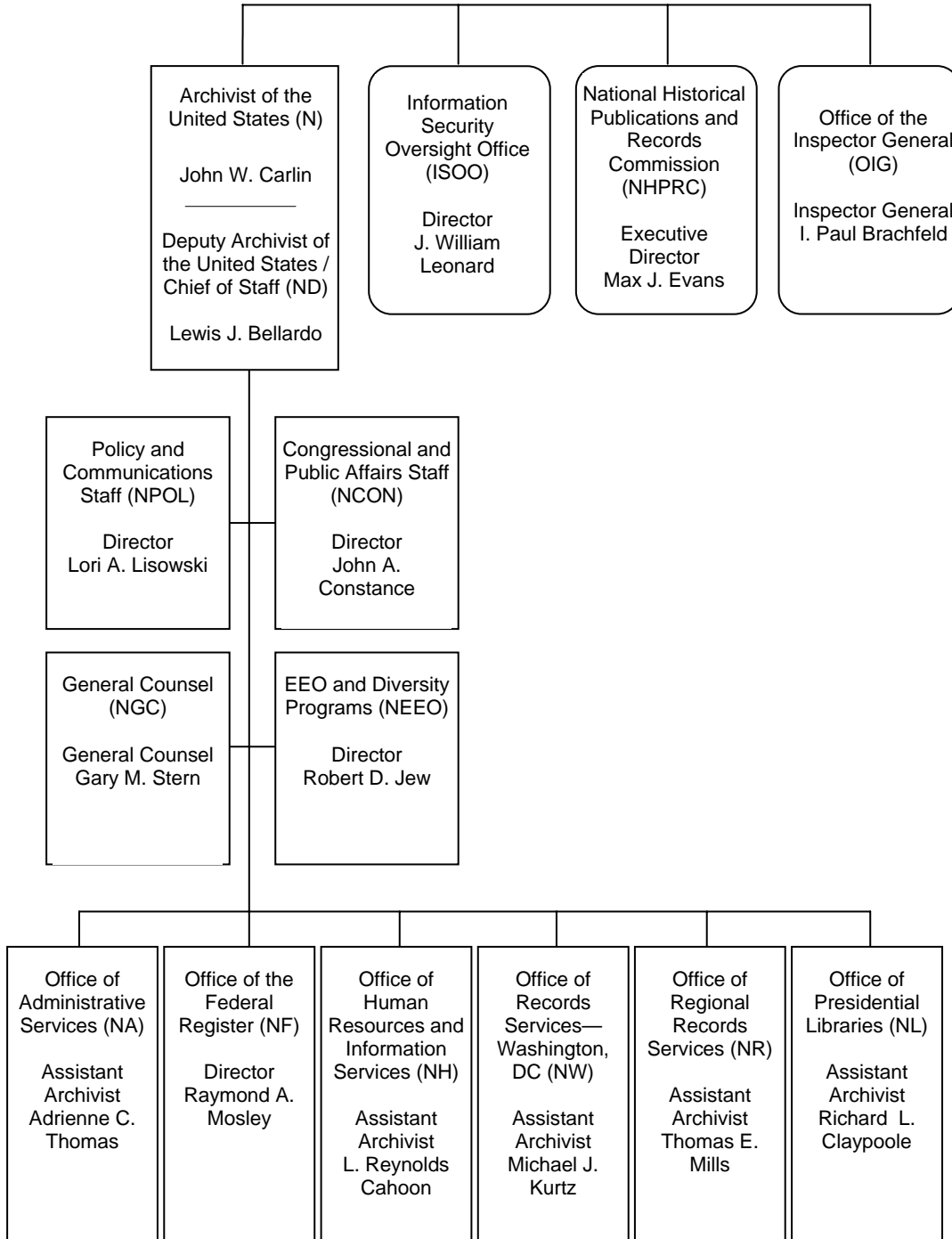


Figure 1. NARA's Organizational Structure

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

September 11, 2001, has forever changed our Government. Security, continuity of operations, critical infrastructure, and emergency preparedness are now more important to every Federal agency. How NARA deals with these issues affects the entire Government and beyond. 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 homeland security and all of its intergovernmental electronic communication challenges. In addition, NARA provided the 9/11 Commission with thousands of documents that were crucial to the Commission's work, and 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. Whether publishing the *Federal Register*, protecting the vital records assets of Federal agencies nationwide, fulfilling the records requests of America's veterans, solving the challenge of preserving 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.

Never before has NARA played such an indispensable role in our Government, and never before have the stakes been higher for our success. 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 a 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 is often dependent 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 34 facilities nationwide. These records include everything from highly classified National Security Council policy memorandums to

A Bible found on a troop ship sailing from England to France in early 1945 ended up at the National Personnel Records Center (NPRC) in St. Louis in 1993. NPRC staff discovered that the military records of the Bible's owner, an Army private, had been destroyed in a 1973 fire. An archivist attempted to track down the soldier or his family but was unable to find anyone. So the Bible was included in the soldier's reconstructed military record. Eleven years later, NPRC received an Internet request from a woman asking for information on military awards for her brother, the long-lost owner of the Bible. The soldier, who was killed in Europe in March 1945, was entitled to several medals, and the Bible was sent to his sister.

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. To meet this challenge, NARA is developing 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 for a moment to the specific challenges NARA faces:

**Security.** We store more than 27 million cubic feet of Federal records in 34 facilities nationwide, and we have the vital responsibility to protect these records, the staff who care for them, and the public who visits our facilities to use them. To do this, we must plan for a variety of natural and man-made emergencies that might leave our facilities vulnerable or require us to provide shelter for staff and the public.

**NARA Holdings Summary**  
FY 2004

	Artifacts (in items)	Traditional Holdings (in cu. ft.)	Electronic Holdings (in LDR*)
Washington, DC, Area Archives	1,491	2,221,395	5,593,834,700
Regional Archives	20	633,650	0
Records Centers	0	24,111,471	0
Presidential Libraries	538,614	238,111	35,308,040
Affiliated Archives	0	7,198	0
<b>TOTAL</b>	<b>540,125</b>	<b>27,211,825</b>	<b>5,629,142,740</b>

\*LDR=Logical Data Records

Currently, NARA has a material weakness in collections security. We face three primary challenges in this area:

- We must provide quality service to our customers while instituting reasonable internal controls to prevent theft and to maintain documentation to support the recovery of alienated holdings and subsequent prosecution of those who would steal records that belong to all Americans.
- We must take every reasonable appropriate measure possible to limit access to records of importance for national security and act expeditiously in coordinating efforts with law enforcement entities as appropriate.
- We must protect and safeguard our facilities themselves and 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 have a comprehensive plan to address our security weaknesses that includes improvements to (1) the way our staff work, through training

and changes to security policies; (2) the way records are handled, such as isolating high-risk records and improving records location controls; and (3) the way security is implemented, from the monitoring of records use by researchers to the creation of more visible deterrents to crime at our facilities. If we can implement this plan, we believe we will resolve our material weakness and greatly enhance security for our records, our staff, and our customers.

**Records Center and Records Management Activities**  
**FY 2004**

	<i>Federal Agency Reference Requests</i>	<i>Federal Agency Requests for Appointments to Review Records</i>	<i>Records Management Training</i>
<b>Washington, DC, Area</b>	<b>719,566</b>	<b>2,181</b>	<b>479</b>
<b>Office of Regional Records Services</b>			
Northeast Region (Boston)	363,547	892	541
Northeast Region (Pittsfield)	30,154	0	470
Northeast Region (New York)	0	368	51
Mid Atlantic Region (Philadelphia)	2,208,545	1,966	161
Southeast Region (Atlanta)	696,981	3,264	194
Great Lakes Region (Chicago)	109,242	4,525	93
Great Lakes Region (Dayton)	2,247,042	565	111
Central Plains Region (Kansas City)	675,079	841	62
Central Plains Region (Lee's Summit)	533,894	729	0
Southwest Region (Fort Worth)	619,953	3,070	135
Rocky Mountain Region (Denver)	289,937	698	189
Pacific Region (Laguna Niguel)	115,691	4,931	235
Pacific Region (San Bruno)	1,281,592	2,079	28
Pacific Alaska Region (Seattle)	122,993	3,609	248
National Personnel Records Center	820,948	156	0
<b>Regional Records Services Total</b>	<b>10,115,598</b>	<b>27,693</b>	<b>2,518</b>
<b>TOTAL</b>	<b>10,835,164</b>	<b>29,874</b>	<b>2,997</b>

**Facilities.** Our 34 facilities also 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. We face an ongoing challenge, however, 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.

**Information Technology.** To serve our Government and public customers well, we must have a reliable, expandable, high-capacity, cost-efficient information technology and communications infrastructure. For us to be able to use automation to streamline operations and achieve cost-efficiencies, to develop Internet-based applications for agency and public access to information, and to provide direct online access to electronic records and digital images, we need a sound technical infrastructure. In fact, if our applications perform poorly, we may impede the work of other Federal agencies or the efforts of the public to document their rights and entitlements.

The rapid pace of technological change and innovation in today's environment does 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 out of the "back office," onto the Internet, and into the home and office. 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 the citizen's ever-growing expectations for quality service.

Although NARA does have a material weakness in computer security, we have made significant progress in resolving the weakness. Policies and procedures for NARA's computer security program have been issued, and a computer security awareness program for employees is in place. Our firewall and intrusion detection system have been enhanced, and we updated the contingency plans for all of our IT systems. We still need to complete testing of all of the contingency plans and develop and test an overall disaster recovery plan for the entire IT infrastructure. Completion of these activities should resolve the material weakness.

**Human Resources.** The proliferation of technology has forever changed the nature of Federal record-keeping. Most Federal records are now created electronically, and users increasingly expect immediate electronic access to them. Traditional paper documents are being overtaken by databases, digital images, digital sound, e-mail with attachments, geographic information systems, web sites, and other electronic record formats. The challenges associated with acquiring, preserving, and making available these myriad electronic records are immense and can only be met through creativity, leadership, entrepreneurship, and a willingness to think beyond the conventional. The Federal Government is looking to NARA, as the nation's record keeper, to deliver these creative, entrepreneurial solutions.



Archives technician Amy Koehler assists a researcher at a microfilm reader at NARA's Great Lakes Region in Chicago. (Photo by Mary Ann Zulevic)

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 lead the provision of 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.

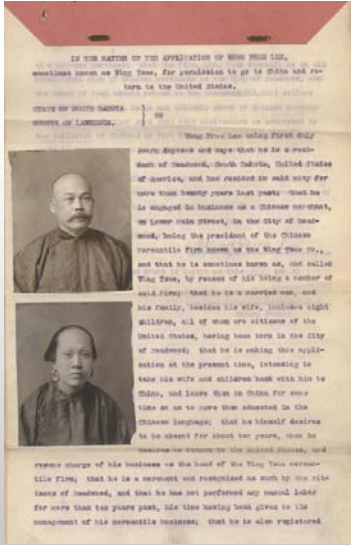
Our future success as the Government's leader for records services will depend in large part on the staff that we hire today. We must ensure that we have the right people in the right positions at the right time to move the agency forward at this extraordinary time in our history.

**Records Access.** The Federal Government protects hundreds of millions of classified documents at great expense. As noted in the Information Security Oversight Office's (ISOO) most recent report to the President, "many senior officials will candidly acknowledge that the government classifies too much information." ISOO also noted that "one of the principal procedures for maintaining the effectiveness of the classification system is to remove from the safeguarding system information that no longer requires protection in the interest of national security." This means undertaking automatic and systematic declassification, as well as mandatory declassification reviews, in accordance with Executive Order 12958, as amended. Nevertheless, declassification activity across the Government has been declining for the past several years.

Federal agencies have a deadline of December 31, 2009, to review and resolve 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 prior to the 2009 deadline. Many of these documents must be reviewed by two or more agencies. We need to make these documents available to the agencies in a systematic fashion to enable them to accomplish their missions, protect permanently valuable Federal records, and prevent unauthorized releases of still sensitive information.

Failure to establish a systematic process for handling referrals poses a significant risk for inadvertent release of still sensitive information. If agencies resolve referrals in an ad hoc manner, the Government loses control of the process. We could not be sure that all referred documents had been acted on because we would have no way of tracking agency actions. With no standard way of recording agency determinations, it is likely

that we will make mistakes in interpreting agency decisions when records are processed for release. Without an organized referral process, it will be impossible to meet the deadline. Therefore, in cooperation with other agencies, NARA is establishing an inter-agency referral center to provide a systematic approach to the referral process.

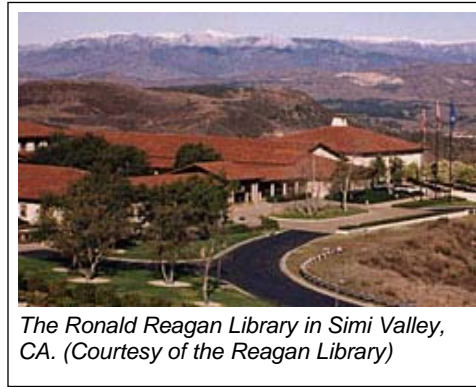


Members of the leading Chinese family in the pioneer town of Deadwood, SD, were able to participate in last July's Pioneer Celebration after NARA found records and photographs of their ancestors' immigration to America. NARA's Pacific Alaska Regional Archives (Seattle) located the records for the family in case files relating to the Chinese Exclusion Act, which was designed to keep out Chinese laborers from 1882 to 1943. Such files generally contain photographs of individuals or businesses, transcripts of interviews, maps of locations in China or the United States, and various government documents, such as birth and marriage certificates.

*Wong Free Yee's application to go to China in 1902 with his wife and eight children and later return to the United States. The family used the document 100 years later to prove their long connection to Deadwood, SD. (Chinese Exclusion Act Case file RS406, Records of the Immigration and Naturalization Service, Record Group 85)*



Classified records in our Presidential libraries also pose a huge challenge for us because they are often extremely sensitive, filled with multiple equities, and highly sought after by Government officials and the public. The Ronald Reagan Library holds the next Presidential collection to which the Executive order must be applied and has classified holdings of approximately 8 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 among NARA, CIA, and other classifying agencies through which classified Presidential materials at field locations are electronically scanned and brought to Washington for review by equity-holding agencies. So far this project has scanned nearly 2 million pages from the Eisenhower, Kennedy, Johnson, Ford, and Carter libraries, but the dramatic increase in volume of classified records from the Reagan administration and on may make it impossible for us to comply with the Executive order.



**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 multipronged approach to improving electronic records management that relies on a suite of strategies, policies, standards, and tools that facilitate the effective and efficient management of Federal records. Ultimately, records management should become so seamlessly integrated into agencies' business processes that they don't even realize it; what they would notice instead is that they can easily find the information they need, when they need it, in a form they can use to conduct their business. Getting to this outcome requires that we both transform our own records management program and in turn that we transform records management across the Government. Given the urgent need to improve delivery of Government services, enable the sharing of information across agencies, and manage records and transactions more effectively, we could not wait to undertake these transformations sequentially. Therefore, we have launched several projects and are collaborating on several others that address both of these transformations simultaneously:

- Records Management Initiatives – a series of coordinated NARA initiatives to transform NARA's approach to Federal records management for all records.

- Electronic Records Management Presidential E-Government Initiative – one of the Administration’s initiatives to ensure the success of e-Government by providing guidance and tools for the effective management of electronic records.
- Electronic Records Policy Working Group – a subgroup of the Interagency Committee on Government Information, which NARA chairs, that is developing recommendations for Government-wide policies that will strengthen records management.
- Electronic Records Archives – the key tool that will allow NARA and Federal agencies to manage, preserve, and have access to electronic records over space and time.

We are also committed to working with our Inspector General (IG) to identify and address significant challenges. The Inspector General’s Top Ten 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\\_us/reports/annual\\_report.html](http://www.archives.gov/about_us/reports/annual_report.html).

## Performance Highlights

### *Spotlight on e-Government Services*

As spelled out in our Strategic Plan, NARA preserves and makes accessible Government records that document the rights of our citizens, the actions of our Federal officials, and our national experience.

For many years, this has involved preserving those pieces of parchment and paper that have been created over more than two centuries of our nation's government. Now, however, we face the challenge of preserving the records of the present and future, which are overwhelmingly electronic.

Our response to this challenge is the Electronic Records Archives (ERA). It will capture Government electronic records, save them indefinitely, and make them accessible in the future with whatever computer hardware and software is in use.

ERA will give us the means to preserve and provide sustained access to Federal Government electronic records of continuing value and to provide economical storage and retrieval services for electronic records that remain under the legal control of the originating agencies. The goal of the ERA program is to enable NARA to preserve and provide access to any type of electronic record created anywhere in the Federal Government. ERA will provide a comprehensive, systematic, and dynamic means of preserving and providing continuing access to authentic electronic records over time.

In 2004, we reached a significant milestone in our efforts to build ERA to manage and preserve the growing mass of electronic records. On August 3, we selected two national contractors to participate in a one-year competition to develop the best design for ERA. In 2005, we will choose one of them to build it.

The development of ERA will have countless ramifications for other parts of government, private businesses and institutions, and individuals. For example, digital military personnel files for Americans serving in our armed forces today must be preserved for decades to chronicle their military careers and ensure their veterans' rights and benefits. ERA is our solution to preserve those records. In addition, NARA is developing new standards to speed the transfer of electronic records to ERA, and ERA will stimulate advances in technology that will be available to the whole Government. Finally, we have worked closely with many partners to ensure that this technology is scaleable for use by state and local governments, the private sector, and other institutions with a need to preserve electronic records over time.

The ERA announcement was one of our most important steps toward managing and preserving electronic records, but it represents only a part of our efforts to redesign the way the Government manages and preserves its electronic records.



*Archivist John W. Carlin speaks at an August 3, 2004, press conference to announce the award of two contracts to design the Electronic Records Archives. (Photo by Darryl Herring)*

We made real progress in the past year in implementing the goals set forth in 2003 in *Strategic Directions for Federal Records Management*. We have been able to make records management a more integral and important part of the operations of Federal agencies and to help them adapt records management practices to their own needs. For example, the Patent and Trademark Office, the Government Accountability Office, and NARA are adopting the concept of flexible scheduling to revise their records control schedules to make them more effective and user friendly for the agencies and NARA.

At the same time, we continue in our role as the managing partner of the Electronic Records Management (ERM) Initiative, one of the original Presidential e-Government Initiatives. In that role, we are expanding the number of formats agencies can use to transfer their electronic records to NARA. During FY 2004, we developed requirements for three additional transfer formats of permanent electronic records: digital photography, digital geospatial data records, and web content records. This brings the total to six formats.

During FY 2004, the Interagency Committee on Government Information (ICGI) established the Electronic Records Policy Working Group (ERPWG), which NARA chairs. ERPWG's purpose is to develop recommendations for the ICGI on policies and procedures that agencies should adopt to ensure that records management requirements are applied effectively and comprehensively to their electronic records, including Government information on the Internet.

As a first step, the ERPWG conducted outreach sessions with more than 200 stakeholders in and outside the Government to identify present barriers to the effective management of the Government's electronic records and to develop suggested directions for overcoming those barriers. The ERPWG also proposed development of an ERM toolkit



that will be a collection of existing and proven ERM guidance tools such as case studies, best practice documents, process models, policies and directives, tips and techniques, training programs, lessons learned, presentations, and other practical tools that can be used by Federal agencies to promote and implement effective management of Government information on the Internet and other electronic records.

Besides redesigning the way Government manages its electronic records and preparing the means to preserve them, we are also making more records and more information about them available over the Internet.

During FY 2004, we added 13 new databases to Access to Archival Databases (AAD), which allows Internet users to gain direct access to electronic records on our web site, [www.archives.gov](http://www.archives.gov). This brought the total at year end to 47 series of databases, consisting of more than 71 million electronic records. The most popular database is that of Army enlistments during World War II; at year end, it accounted for 57 percent of all queries in AAD.

In April 2004, we accepted the first increment of State Department cables covering the period July 1973 to December 1974, a historic period in the United States and the world. After archival processing, these cables also will be made available via the Internet through AAD in FY 2005.

New staff-written descriptions of our records continued to be added to our online Archival Research Catalog (ARC) in a new and faster data entry system. During 2004, the NARA staff exceeded its goals and now has placed in the ARC database descriptions of 33 percent of traditional holdings, 40 percent of artifacts, and nearly 10 percent of electronic records.



Secretary of State Colin Powell hands over the first increment of State Department cables to Archivist John Carlin. (Photo by Richard Schneider)

At NARA, we continue to seek better methods of carrying out our core mission—preserving and making accessible the records of our Government: parchment, paper, and electronic, as well as films and videotapes, audio recordings, posters and photographs, maps, charts, and architectural drawings.

Our efforts are paying off as we develop and perfect new methods to manage and preserve these indispensable records and ensure they are available for many generations to come to anyone, anywhere, anytime.

*To find out more . . .*

- The Electronic Records Archives program is described at [www.archives.gov/electronic\\_records\\_archives](http://www.archives.gov/electronic_records_archives).
- The Electronic Records Management E-Government Initiative is described in detail at [www.archives.gov/records\\_management/initiatives/erm\\_overview.html](http://www.archives.gov/records_management/initiatives/erm_overview.html).
- Access to Archival Databases can be found at [www.archives.gov/aad/](http://www.archives.gov/aad/).
- The Records Management Initiatives are discussed at [www.archives.gov/records\\_management/initiatives/rm\\_redesign\\_project.html](http://www.archives.gov/records_management/initiatives/rm_redesign_project.html).
- The Archival Research Catalog can be accessed at [www.archives.gov/research\\_room/arc/](http://www.archives.gov/research_room/arc/).

### ***Spotlight on NARA Public Programs***

In a democracy, the records that constitute our archives belong to the citizens. Our Strategic Plan commits us to inform and educate our customers about the services we offer and the records to which we can provide access.

For more than six decades visitors have come to the National Archives to see the U.S. Charters of Freedom—the Declaration of Independence, the Constitution, and the Bill of Rights. Most of these visitors left without knowing that the Archives holds billions more Federal records in trust for their use—records that allow citizens to claim their rights, hold Government accountable, and learn about who we are as a nation and a people.

Realizing we needed to do a better job of telling the public about the role that records play in our individual lives, our nation, and our society, we designed a new project, the National Archives Experience, to reach out to the public. Through the National Archives Experience and related public programs we are helping people learn why “records matter.”

Thanks to the power of public-private partnerships we have been able to bring the National Archives to the public in new and exciting ways. For example, our partnership with the Foundation for the National Archives made the National Archives Experience possible. Consisting of multiple components in our downtown Washington, DC, building, the National Archives Experience debuted in late 2003 and will be completed in 2006.

A generous gift from the William G. McGowan Charitable Fund, Inc., to the Foundation financed the new William G. McGowan Theater, which opened in September 2004 in the National Archives Building. The McGowan Theater, which is expected to become a major showplace in Washington, DC, for documentary film as well as the premier outlet for our



*The William G. McGowan Theater opened in the National Archives Building in September 2004. (Photo by Earl McDonald)*

vast film holdings, began a regular schedule of programs on September 10. It also shows an introductory film as the first stop of the National Archives Experience.

The McGowan Theater’s opening capped a year of innovative public programs at the National Archives—following on the rededication and reopening of the Rotunda for the Charters of Freedom in September 2003 and leading up to the opening of the Public Vaults, the innovative permanent exhibition component of the National Archives Experience, in November 2004.

In December 2003, we announced the results of “The People’s Vote,” in which the public cast more than 315,000 votes in choosing from among the 100 milestone documents we had designated earlier in the year in the *Our Documents* Presidential initiative. The

Declaration of Independence, the Constitution, and the Bill of Rights led the top ten. The project, co-sponsored by *U.S. News & World Report* and National History Day, ended with a special display of the top 15 documents in and around the Rotunda.

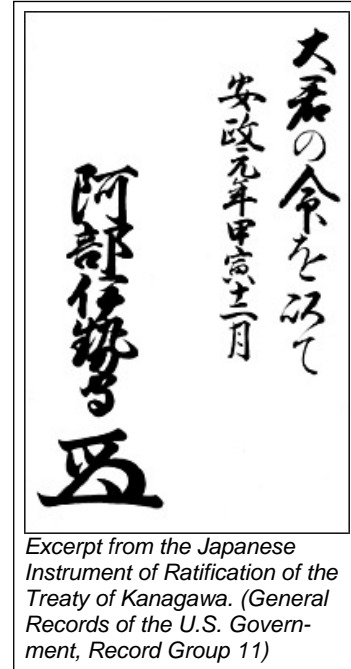
From March 27 through September 6, the Special Exhibition Gallery in the National Archives Building, another National Archives Experience component, displayed original copies of the Treaty of Kanagawa, an 1854 friendship pact between the United States and Japan. For the first time in 35 years, all four language versions (Japanese, English, Dutch, and Chinese) of the treaty were exhibited. The exhibit recounted the events leading up to the treaty, the first between Japan and any other country, and was staged with assistance of a grant from the Foundation from the Center for Global Partnership. This fall the gallery was named the Lawrence F. O'Brien Gallery in recognition of a gift from the O'Brien family to support the National Archives Experience.

In the East Rotunda Gallery, we exhibited the U.S. Supreme Court's 1954 landmark school desegregation decision, *Brown v. Board of Education of Topeka*, in observance of its 50th anniversary. Several of our regional facilities also observed this anniversary. For example, our Mid Atlantic Region trained more than 100 branch leaders from the Philadelphia Free Library System on the *Brown* case to allow them to make it part of their after-school programs. Our Southeast Region offered a series of free public programs, including a film on the case and an exhibit featuring artifacts from the civil rights movement. These two regions, along with the Central Plains Region, sponsored a distance-learning event broadcast live from the National Constitution Center in Philadelphia. The event featured conversations with Oliver Brown's daughters and reached more than 600 students in these three regions.

In honor of the dedication of the National World War II Memorial during Memorial Day weekend, we displayed at the National Archives Building the Instrument of German Military Surrender signed at Rheims, France, on May 7, 1945. We also screened World War II footage from our vast audiovisual holdings and offered book lectures and panel discussions honoring the World War II service of Hispanic Americans.

After the death of former President Ronald Reagan in June, hundreds of visitors and many media representatives came to the Reagan Library in Simi Valley, CA, as his body lay in repose and later after the burial. In Washington, we displayed his famous speech at the Berlin Wall in 1987 in the Rotunda as part of the "A New World Is at Hand" exhibit, which flanks the Charters of Freedom. All the Presidential libraries set up condolence books in which visitors could share memories of the 40th President and extend sympathy to his family.

There also were major additions to other Presidential libraries as part of public-private partnerships. The Franklin D. Roosevelt Library, the oldest of the Presidential libraries,



Excerpt from the Japanese Instrument of Ratification of the Treaty of Kanagawa. (General Records of the U.S. Government, Record Group 11)

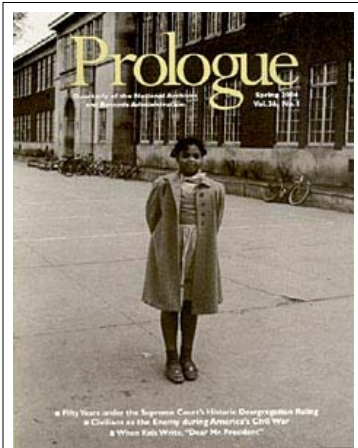
opened its new Henry A. Wallace Visitor and Education Center, the result of a partnership with the National Park Service and the Franklin and Eleanor Roosevelt Institute. In the Roosevelt Library itself, a new 3,000-square-foot special exhibition gallery was opened. The Harry S. Truman Library opened a new permanent exhibition, "Harry S. Truman: His Life and Times," the final piece of a major renovation program financed in large part with private funds raised by the Harry S. Truman Institute.



The Henry A. Wallace Visitor and Education Center at the FDR Library. (Photo by Cliff Laube)

Meanwhile, other Presidential libraries mounted some notable exhibits, also with private help. With assistance from AT&T and WCVB-TV in Boston, the John Fitzgerald Kennedy Library welcomed Boston visitors last summer with "Campaign!," an exhibit that focused on the 1960 Presidential campaign. The Bush Library opened "Barbara Bush: An Extraordinary Journey," with assistance from the George Bush Foundation and private donors, Donald and Adele Hall. The Gerald R. Ford Museum, with aid from the Gerald R. Ford Foundation, hosted "The American Presidency: A Glorious Burden," featuring many items from our other Presidential libraries.

Our Presidential libraries and regional facilities continued to provide educational programs for teachers and students in their areas. Many of the libraries and regional facilities also provided assistance to local schools and school districts that had received Teaching American History grants from the U.S. Department of Education over the past few years. The Lyndon Baines Johnson Library in Austin, TX, for example, is providing teacher workshops and presentations for schools in Austin and some surrounding communities as well as for the San Antonio schools and Baylor University.



Prologue's Spring 2004 issue observed the 50th anniversary of the landmark 1954 *Brown v. Board of Education* decision.

Our flagship publication, *Prologue*, continued to bring to its readers informative articles on the wide variety of activities at NARA as well as in-depth historical features based on records in our holdings around the country. Among the latter were articles on the struggle to enact the Civil Rights Act of 1964, the history of the Topeka, KS, schools since the historic *Brown* decision, and the schoolboy days of Harry S. Truman.

And our popular "American Originals" traveling exhibit showed at the Los Angeles Public Library in late 2003, then moved on to the Museum of American Political Life in Hartford, CT, and the Delaware Art Museum in Wilmington, DE, its final stop, in 2004. The tour allowed us to take some of our most famous and interesting records directly to the public by partnering with institutions in other cities. "American Originals" opened in Washington in 1995 and has been traveling around the country since 2001.



Our goal, through the National Archives Experience and other public programs, is for each person to gain an understanding of his or her personal connection to the records in the National Archives. We hope that families will see how their own stories fit into our national mosaic and that young people are thrilled by the real-life drama of the American experience. And we hope that individuals of all ages will take action and use the Archives—to learn, to unravel, to discover, and to celebrate the stories of individuals, of families, of communities, and of our nation.

*To find out more. . .*

- For more information about the National Archives Experience, go to [www.archives.gov/national\\_archives\\_experience/](http://www.archives.gov/national_archives_experience/).
- To learn more about the Charters of Freedom, go to [www.archives.gov/national\\_archives\\_experience/charters/charters.html](http://www.archives.gov/national_archives_experience/charters/charters.html).
- For links to all the Presidential libraries, go to [www.archives.gov/presidential\\_libraries/](http://www.archives.gov/presidential_libraries/).
- For complete information about the Our Documents project and The People's Vote and for high-resolution images of each document, go to [www.ourdocuments.gov](http://www.ourdocuments.gov).
- For our online Exhibit Hall, go to [www.archives.gov/exhibit\\_hall/](http://www.archives.gov/exhibit_hall/).
- To learn about and subscribe to *Prologue: Quarterly of the National Archives and Records Administration*, go to [www.archives.gov/publications/prologue/](http://www.archives.gov/publications/prologue/).

**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2004**

**Using the National Archives and Records Administration**

FY 2004

	Researchers Microfilm	Researchers Other Records	Written Requests	Public Program Attendees	Museum Visitors
<b>Washington, DC, Area</b>	<b>25,475</b>	<b>59,743</b>	<b>39,478</b>	<b>938</b>	<b>796,895</b>
<b>Office of Regional Records Services</b>					
Northeast Region (Boston)	10,172	1,097	2,331	1,011	—
Northeast Region (Pittsfield)	4,484	—	787	314	—
Northeast Region (New York)	4,296	1,260	4,844	791	—
Mid Atlantic Region (Philadelphia)	8,783	471	1,743	1,071	—
Southeast Region (Atlanta)	3,709	708	2,278	259	—
Great Lakes Region (Chicago)	4,503	421	3,979	94	—
Great Lakes Region (Dayton)	—	—	—	111	—
Central Plains Region (Kansas City)	3,380	629	2,418	94	—
Southwest Region (Fort Worth)	5,611	821	3,396	313	—
Rocky Mountain Region (Denver)	4,427	765	428	1,649	—
Pacific Region (Laguna Niguel)	5,700	578	1,584	1,020	—
Pacific Region (San Bruno)	5,217	1,557	3,177	171	—
Pacific Region (Anchorage)	1,137	303	399	20	—
Pacific Alaska Region (Seattle)	4,872	652	1,473	906	—
National Personnel Records Center	—	—	1,005,103	—	—
<b>Regional Records Services Total</b>	<b>66,292</b>	<b>9,262</b>	<b>1,033,940</b>	<b>7,824</b>	<b>—</b>
<b>Presidential Libraries</b>					
Hoover	—	286	1,274	32,751	66,265
Roosevelt	—	1,405	3,201	26,758	101,469
Truman	—	584	2,200	8,318	92,558
Eisenhower	2	518	3,924	11,885	81,049
Kennedy	—	1,574	4,254	53,795	210,594
Johnson	—	1,590	3,184	24,729	298,893
Nixon	—	800	1,696	564	—
Ford	—	890	2,113	11,531	52,327
Carter	—	391	679	449	62,505
Reagan	—	503	528	10,408	363,101
Bush	—	299	1,906	32,727	128,928
Clinton	—	—	1,369	842	—
<b>Presidential Libraries Total</b>	<b>2</b>	<b>8,840</b>	<b>26,328</b>	<b>214,757</b>	<b>1,457,689</b>
<b>TOTAL</b>	<b>91,769</b>	<b>77,845</b>	<b>1,099,746</b>	<b>223,519</b>	<b>2,254,584</b>

## Performance Overview

We break down our five 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 2004 performance, followed by some of our major accomplishments this year presented by strategic goal.

### Snapshot of 2004 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	2001 Actual	2002 Actual	2003 Actual	2004 Target	2004 Actual
Annual percent of targeted assistance partnership agreements delivering the results promised.	100	100	100	95	100
Median time for records schedule items completed (in calendar days).	237	470	155	220	253
<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	2001 Actual	2002 Actual	2003 Actual	2004 Target	2004 Actual
Percent increase in number of archival electronic holdings accessible online.	—	—	—	50	51
Median time from the transfer of archival electronic records to NARA until they are available for access (in calendar days).	—	—	450	250	736
Percent of NARA's electronic holdings stabilized in preparation for their transfer to the Electronic Records Archives.	97	98	97	99	93
<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 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 approved grant applications.					
Performance Indicator	2001 Actual	2002 Actual	2003 Actual	2004 Target	2004 Actual
Percent of written requests answered within 10 working days.	93	93	94	90	95
Percent of Freedom of Information Act requests for Federal records completed within 20 working days.	27	76	61	85	67

**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2004**

<b>Performance Indicator</b>	<b>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Target</b>	<b>2004 Actual</b>
Percent of requests for military service separation records at the National Personnel Records Center in St. Louis answered within 10 working days.	7	40	37	70	75
Percent of items requested in our research rooms furnished within one hour of request or scheduled pull time.	93	94	96	95	99
Percent of customers with appointments for whom records are waiting at the appointed time.	99.7	99.8	99.9	99	99.3
Percent of Federal agency reference requests in Federal records centers that are ready when promised to the customer.	93	92	94	90	96
Percent of records center shipments to Federal agencies that are the records they requested.	99.99	99.99	99.99	99	99.99
Percent of archival fixed-fee reproduction orders that are completed in 35 working days or less.	–	88	99	75	99.9
Percent of education programs, workshops, and training courses meeting attendees' expectations.	97	96	95	95	99
Percent of NARA services available online.	24	25	30	40	40
Percent of traditional holdings in an online catalog.	–	19	20	30	33
Percent of artifact holdings in an online catalog.	–	19	17	30	40
Percent of electronic holdings in an online catalog.	–	0.02	0.02	5	10
Annual number of Presidential pages scanned (in thousands).	322	332	470	300	500
Cumulative percent of Clinton Presidential and Vice Presidential traditional holdings processed for opening January 20, 2006.	1	1	1	5	2
Percent of NHPRC grant-funded projects that produced results promised in grant applications.	91	79	86	86	88
<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>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Target</b>	<b>2004 Actual</b>
Cost of archival storage space per cubic feet of traditional holdings stored.	–	–	–	–	\$6.16
Percent of cumulative backlog of NARA's at-risk archival holdings ever treated.	28	32	35	40	41
<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.					
<b>Performance Indicator</b>	<b>2001 Actual</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Target</b>	<b>2004 Actual</b>
Percent of staff having performance plans linked to strategic outcomes.	48	80	93	95	91
Percent of staff having staff development plans linked to strategic outcomes.	–	1	91	95	53
Percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups.	74	85	97	98	98
Percent of public network applications availability.	–	–	–	96.5	98.7

*Goal 1: Improving Records Management*

In FY 2003 we issued *Strategic Directions for Federal Records Management*, our roadmap for redesigning Federal records management and partnering with Federal agencies to ensure that records management supports their business needs. In FY 2004 we made significant strides in implementing this roadmap. We created an integrated nationwide records management program to improve how we use NARA resources across the country for the benefit of our agency customers. We developed and distributed a model agency Senior Records Manager position description that stresses the crucial role records management plays in supporting the agency missions. We are redesigning the content and format of NARA's training program for agency records professionals. The program will introduce the concepts of information technology capital planning, information and knowledge management, and records as information assets, and will include a voluntary certification of training component that will permit participants in a core set of training modules to take an examination and receive certification of their successful completion of the training. We developed criteria, procedures, and a handbook for identifying the functional areas within the Government that contain the greatest records management challenges and piloted a methodology for allocating NARA records management resources to the highest priority areas. We issued new General Records Schedules for Alternative Dispute Resolution and Reasonable Accommodation Requests.

NARA is one of three executive sponsors for the *Interagency Committee on Government Information* and chair of the *Electronic Records Policy Working Group* (ERPWG). The ERPWG produced a report identifying barriers to effective management of Government information on the Internet and other electronic records and developed a framework for tools to manage electronic records and proposed common characteristics of records (metadata) that all agencies would capture for electronic records.

NARA's Pacific-Alaska Region in Seattle, WA, had a hand in the 2004 Summer Olympics. The Seattle staff provided to two separate researchers copies of naturalization petitions that allowed the grandchildren or great-grandchildren of Italian and Greek immigrants to prove their ancestry. As a result, they qualified for dual citizenship and were allowed to play on the Greek and Italian baseball teams in Athens, Greece.

As the lead agency for the *Electronic Records Management Presidential E-Government Initiative*, we issued transfer guidance for three additional permanent electronic record formats – digital photography records, digital geospatial data records, and web content records.

We continue to offer *targeted assistance* to Federal agencies nationwide with urgent records management problems. Through targeted assistance partnerships, our records management experts spend 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, NARA has established 361 targeted assistance projects with 103 Federal agencies and field offices, of which 266 projects have been completed. Most important, we have a 100-percent success rate on these projects.

*Goal 2: Meeting Electronic Records Challenges*

In August 2004 we awarded design contracts for the *Electronic Records Archives (ERA)*. Two vendors will face off in a one-year design competition to determine who will build ERA, the 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. As part of our continuing effort to remain highly accountable for the ERA program, we implemented a program management tool that will enable us to perform program control activities, including earned value management, on the ERA program. This system incorporates an EIA-748-compliant tool that meets OMB and Government Accountability Office (GAO) standards for calculating earned value.

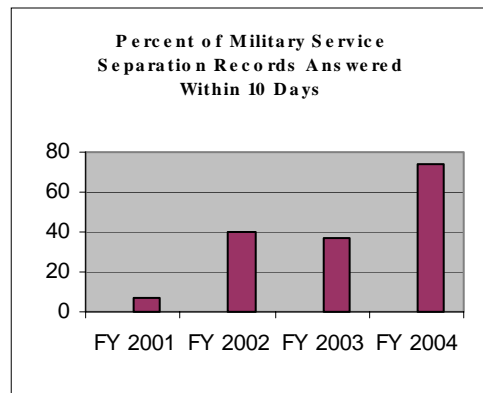
We increased our online electronic holdings by 51 percent in FY 2004, with more than 70 million logical data records now accessible online through *Access to Archival Databases (AAD)*, one of the early prototypes of a portion of the ERA system.

In the interim before ERA is operational, we installed a new *Accession Management Information System* to track electronic records accessions from the arrival of the records at NARA to their final accessioning into NARA's holdings.

*Goal 3: Expanding Opportunities for Access*

We have added more than 12,000 descriptions of our holdings to the *Archival Research Catalog (ARC)* this year. ARC is an online catalog of NARA's nationwide holdings. We beat our target for having 30 percent of our holdings described in ARC this year by having 33 percent described.

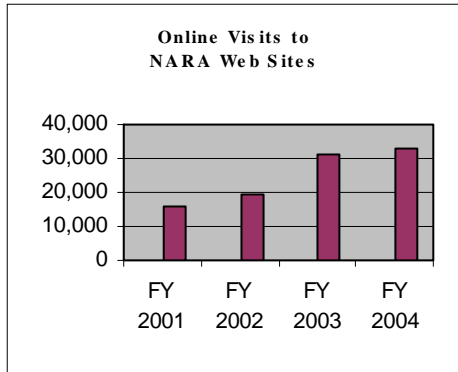
To improve customer service at the National Personnel Records Center in St. Louis, MO, the Case Management and Reporting System has been fully deployed, with a web portal available for the electronic submission of requests from veterans and Federal agencies. We exceeded our target of 70 percent by answering requests for military separation records within 10 working days 75 percent of the time, up from 37 percent last year.



We continued to expand our *electronic services* through our *Enhancing NARA's Online Services* program, in which we look for opportunities to make more of our services, for both Federal agencies and the public, available electronically. We currently make 40 percent of our services available to the public online. We launched *Order Online!* in December 2003, which allows our customers to order copies of census records, land entry files, military bounty-land warrant application files, and Federal military pension application files online.

One indication of the quality and interest in the information we provide is that more than 30 million visitors accessed our web site. To help us continue to improve our web services, we have launched an *online survey* on our main public web site, *archives.gov*, using the American Customer Satisfaction Index. The results of our most recent survey sample show that while our online visitors give high marks to our content (79, eight

points above the index benchmark), our navigation could be improved (64). We are using the survey results to determine customer requirements for the redesign of our site.



We continued providing *outstanding customer service* in FY 2004, exceeding our targets in nearly every area. More than 95 percent of the written requests we received from customers were answered within 10 working days, exceeding our goal of 90 percent. Ninety-nine percent of the items our customers requested in our research rooms were furnished within one hour of request or the scheduled pull time. And 99 percent of our customers rated our educational programs, workshops, and training programs as meeting their expectations.

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

Our major initiative in this area is the *renovation of the National Archives Building*. In FY 2004 we made significant progress in several areas highlighted by the opening of the William G. McGowan Theater built under the Constitution Avenue steps.

We completed construction of a 23,400-square-foot *addition to the Reagan Library* to include new exhibit space and a learning center. The space opened with the Lewis and Clark Exhibition to mark the 200th anniversary of that historic event. We completed the *first major alteration to the Ford Museum* since its opening in 1982, creating new space for temporary exhibits and storage. We moved all the Clinton Presidential materials to the *new William J. Clinton Library* in preparation for its opening. The Clinton Presidential Library and Museum dedication is planned for November 18, 2004. We also made significant progress in construction of a *new Southeast Regional Archives* facility near Atlanta, GA. This building will meet the strict standards for storage of archival records and will open in 2005.

In FY 2004, we completed an extensive analysis of the *costs of digitizing* records versus continued storage of paper records at the National Personnel Records Center in St. Louis and determined that storing paper records in a custom-built leased facility is the least costly alternative to meet long-term preservation and access needs. We also completed a *risk assessment of the Official Military Personnel Files* at the National Personnel Records Center, the first step in developing a more comprehensive plan for ensuring long-term preservation and access to the collection. This data is helping us develop plans for moving the collections and identifying additional preservation strategies for "at-risk" records.

Although he parachuted into Normandy on June 6, 1944, with the 101st Airborne Division, this veteran could not get a passport this past summer to go to France, where he and 98 other veterans would receive the French Legion of Honor for his World War II service, because he did not have appropriate documentation. He came to NARA's Great Lakes Region (Chicago) for help. Using maps of Chicago to locate the correct census microfilm, NARA officials located the man's family in the 1930 census records and provided the Chicago native with a certified copy of the page, showing 1921 as his year of birth. The veteran received his honor in Paris in June 2004.

*Goal 5: Strategically Managing Our Resources*

To address weaknesses in our *information technology (IT) security*, we pursued several tactics. We reviewed our IT security policies against the new draft National Institute of Standards and Technology (NIST) guidelines, completed our annual update to our IT security program plan, and ensured that all contingency plans are NIST compliant. We expanded our annual training to target users of classified systems, and we initiated certification and accreditation activities for each classified system. We also strengthened our firewall protection across the entire network to control inbound and outbound traffic and enhanced our procedures and reporting capabilities for identifying unauthorized access attempts. We recognize that this is not a static effort. We must continue to address IT security policies and processes to ensure that there is continuous improvement.

We deployed a beta version of the *Electronic Editing and Publishing System (eDOCS)* into our daily *Federal Register* publication production operations in FY 2004. We are now using eDOCS to receive live documents from three agencies via e-mail and the Internet, and we can process those documents electronically through their entire production lifecycle within the Office of the Federal Register. In FY 2004, we received more than 3,200 documents electronically via eDOCS, 9 percent of our total, and managed all of them electronically. More than 200 million *Federal Register* documents were retrieved online by our customers, and more than 240,000 open rulemakings were retrieved online through *regulations.gov* in FY 2004. We are proud of these efforts that make the workings of government more readily accessible to citizens.

A more detailed examination of our FY 2004 performance can be found in the full version of this report, located at [www.archives.gov/about\\_us/reports/annual\\_report.html](http://www.archives.gov/about_us/reports/annual_report.html).

*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. 33.) The chart also links the major budget functions to each of our long-term objectives.

NARA Goals & Long-Term Objectives	Records Services	Archives-Related Services	Electronic Records Archives	Revolving Fund	Trust Fund	NHPRC	Repairs & Restoration
<b>Goal 1: \$17,242,000 and 140 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.	✓						



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NARA Goals & Long-Term Objectives	Records Services	Archives-Related Services	Electronic Records Archives	Revolving Fund	Trust Fund	NHPRC	Repairs & Restoration
<b>Goal 2: \$52,852,000 and 83 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: \$146,092,000 and 2,352 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, 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 NHPRC-assisted projects produce results promised in grant applications approved by the Commission.		✓				✓	
<b>Goal 4: \$63,360,000 and 150 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.	✓						

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NARA Goals & Long-Term Objectives	Records Services	Archives-Related Services	Electronic Records Archives	Revolving Fund	Trust Fund	NHPRC	Repairs & Restoration
<b>Goal 5: \$33,182,000 and 130 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

NARA's financial statements received a qualified opinion. This is the first year that NARA's financial statements have been audited. NARA prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards (SFFAS) and Office of Management and Budget (OMB) Bulletin No. 01-09, *Form and Content of Agency Financial Statements*.

### 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. Additional budget authority includes Gift Fund, Trust Fund, and Revolving Fund income.

NARA's total new FY 2004 budget authority from appropriation was \$316.3 million. Funding carried over from multiyear and no-year funds was \$24.1 million. In addition, \$.3 million from FY 2003 was available to obligate. FY 2004 rescissions totaled \$1.9 million. Total appropriated budget authority for FY 2004 was \$338.8 million.

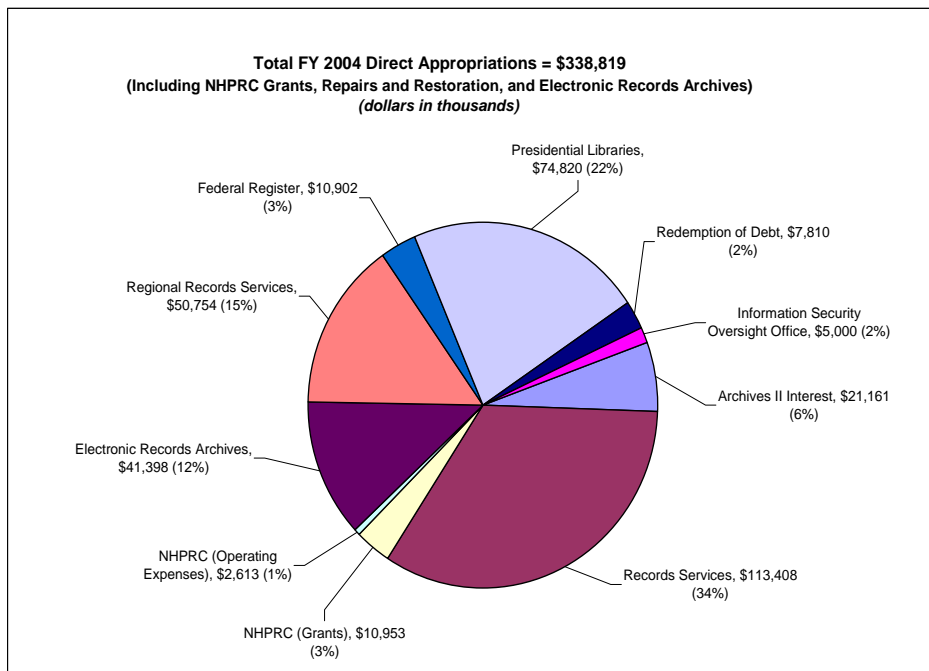


Figure 2. Appropriated Budget Authority, FY 2004

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 NARA's contribution to the Presidential e-Government Initiative, e-Rulemaking, 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 for which the Archivist seeks appropriations for the annual payments for interest and redemption of debt.

NARA also receives appropriations that fund the Electronic Records Archives, repairs and restoration of facilities, and the National Historical Publications and Records Commission grants program. 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 and 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 represents the allotment of total available appropriated funds.

Other financing sources include the National Archives Gift Fund, Trust Fund, and Revolving Fund.

The Gift Fund was established to administer incoming gifts and bequests. Its budget authority includes donations and interest earned on investments. Expenditures are made for various programs, including historical research, conferences, archival and cultural events, and publications. In FY 2004, it received donations of \$ 3.6 million.

The Trust Fund receives, holds, and disburses monies collected from sales of reproductions of records and sales of publications and historical mementos in the National Archives buildings, the regional records services facilities, and the Presidential libraries; admission fees to the Presidential libraries; and fees for archival training and conferences. The Trust Fund earned revenue of \$14.2 million in FY 2004.

The Revolving Fund, for a standard price, provides storage, transfer, reference, refile, and disposal services for records stored in NARA records centers. The Revolving Fund earned revenue of \$129.2 million in FY 2004.

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

NARA incurred new general fund obligations of \$316.2 in FY 2004. Of this, \$2.85 million is for reimbursable work. The chart below represents obligations by strategic goals.

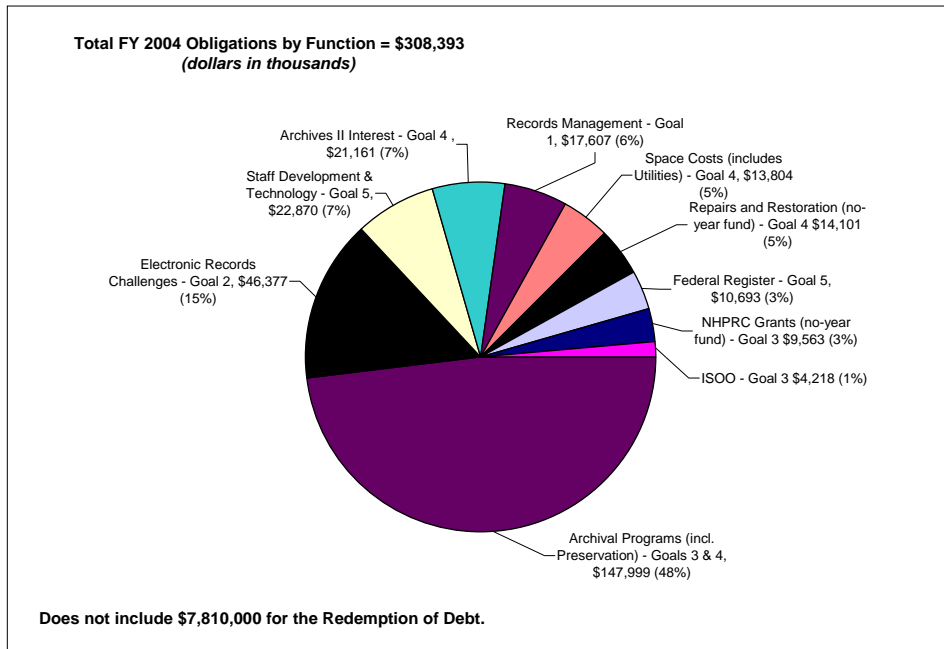


Figure 3. Obligations by Function, FY 2004

### Audit Results

NARA received a qualified opinion on its FY 2004 financial statements. It was qualified for the effects of adjustments, if any, as might have been necessary had the auditors been able to perform adequate audit procedures on property, plant, and equipment; recoveries of prior year obligations; direct obligations incurred; and undelivered orders. NARA had four material internal control weaknesses and three reportable conditions. It also had three substantial noncompliances with the Federal Financial Management Improvement Act.

### 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 3 – Financial Section. An analysis of the principal statements follows.

### Analysis of the Balance Sheet

NARA's assets were \$566.6 million as of September 30, 2004. The assets reported in NARA's balance sheet are summarized in the table below.

Asset Summary (in millions)	
Fund balance with Treasury and cash	\$185.2
General property, plant, and equipment, net	328.3
Investments	36.0
Accounts receivable, net	15.0
Inventory	1.0
Other	1.1
<b>Total assets</b>	<b>\$566.6</b>

The fund balance with Treasury and cash accounts for approximately 32.7 percent of total assets and represents appropriated funds and collections of fees for services. Property, plant, and equipment accounts for 57.9 percent of total assets. The majority of the balance represents the National Archives at College Park.

NARA's liabilities were \$322.1 million as of September 30, 2004. The liabilities reported in NARA's balance sheet are summarized in the accompanying table.

Debt held by the public	\$246.0
Accounts payable	27.8
Other	48.3
<b>Total liabilities</b>	<b>\$322.1</b>

Debt held by the public accounts for approximately 76.4 percent of total liabilities and represents debt issued to the public to cover the construction costs of the National Archives at College Park. Liabilities totaling \$266.8 million, or 82.8 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 \$246 million for debt held by the public, \$9.8 million for workers' compensation, and \$11 million for unfunded annual leave.

The difference between total assets and total liabilities, net position, was \$244.6 million as of September 30, 2004. The net position reported in NARA's balance sheet is summarized in the table below.

Unexpended appropriations	\$139.8
Cumulative results of operations	104.8
<b>Total net position</b>	<b>\$244.6</b>

Unexpended appropriations are the amount of authority granted by Congress that has not been expended. Cumulative results of operations represent 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, 2004, was \$286.3 million. Net costs by program are shown in the table below.

Records and archives-related services	\$240.6
Trust and Gift Funds	3.4
Electronic Records Archives	11.2
National Historical Publications and Records Commission grants	5.9
Archives facilities and Presidential libraries repairs and restoration	13.0

Records center storage and services	12.2
<b>Net cost of operations</b>	<b>\$286.3</b>

Total exchange revenue for the year ended September 30, 2004 was \$144.9 million, \$129.2 million, of which was fees earned for storage and services at the records facilities.

***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 \$43.2 million from FY 2003 to FY 2004 is due primarily to the net change in cumulative results of operations of \$26.0 million and an increase in unexpended appropriations of \$17.2 million.

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

The statement of budgetary resources shows the sources of budgetary resources available and the status at the end of the period. It presents the relationship between budget authority and budget outlays and reconciles obligations to total outlays. For FY 2004, NARA had budgetary resources available of \$552.6 million, the majority of which was derived from new budget authority.

***Analysis of the Statement of Financing***

The statement of financing is designed to provide the bridge between accrual-based (financial accounting) information in the statement of net cost and obligation-based (budgetary accounting) information in the statement of budgetary resources by reporting the differences and reconciling the two statements. 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 \$490 million and reconciles to the net cost of operations of \$286.3 by deducting nonbudgetary resources, costs not requiring resources, and financing sources yet to be provided.

***Debt Management***

The General Services Administration (GSA) provides cross servicing for NARA’s debt collection management. GSA has not provided debt management information specific to NARA; however, GSA’s procedures for debt management are as follows. To comply with the Debt Collection Improvement Act of 1996, GSA transmits delinquent claims each month to the U.S. Department of the Treasury Financial Management Service (FMS) for collection cross servicing. GSA also collects non-Federal claims using Pre-Authorized Debits (PADs). GSA actively pursues delinquent non-Federal claims using installment agreements, salary offset, administrative wage garnishment, and any other statutory requirement or authority that is applicable. Through an outside contract arrangement, GSA actively reviews and pursues overpayments. They are working with FMS to remove all nonpaying claims more than two years old from open receivables and have implemented a plan to review delinquent accounts and contact debtors, especially those approaching two years old, on a quarterly basis.

### ***Erroneous Payments Management***

GSA provides cross servicing for NARA for all of its financial services, including payments management. For FY 2004, NARA is fully relying on the procedures performed by GSA. To comply with the Improper Payments Information Act of 2002, GSA retained the services of a contractor to conduct a management control review and Improper Payments Information Act review that focused on erroneous payment risk analysis by program to determine and estimate the amount of potential improper and erroneous payments by program. All programs were statistically sampled to identify programs that are highly susceptible to erroneous payments and that meet the \$10 million and 2.5-percent threshold established by the Office of Management and Budget. Corrective action plans will be developed for any programs that are identified that are subject to significant risk of erroneous payments.



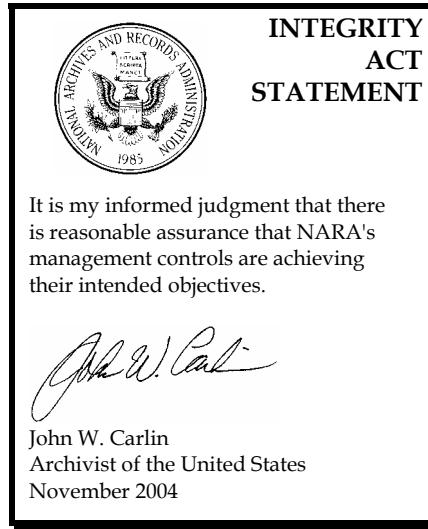
## Systems, Controls, and Legal Compliance

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 management controls and conformance of financial systems with Government-wide standards.



### ***Management Controls Program***

NARA's internal controls worked to ensure the attainment of our mission and FY 2004 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
- Leadership Team 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 review the agency's internal controls and lead to improvements in them. Annually, the OIG reviews the state of NARA's management controls. The Archivist's assurance letter reports on the results of this assessment.

### ***FY 2004 Integrity Act Results***

NARA evaluated its management control systems for the fiscal year ending September 30, 2004. This evaluation provided reasonable assurance that the agency's management controls achieved their intended objectives. Pursuant to Section 2 of the Integrity Act, we identified two material weaknesses in fiscal years 2000 and 2001. Two corrective action plans were developed for material weaknesses in computer security and collections security. Much progress has been made, and all corrective actions are slated for completion in FY 2005. Pursuant to Section 4 of the Integrity Act, the financial subsystems of NARA generally conformed with the objectives detailed in OMB Circular A-127, revised. Although three systems (Order Fulfillment Accounting System; Trust Fund-Gift Fund Financial Review, Analysis, and Reporting System; and Records Center Revolving Fund financial management systems) were not in complete conformance because they failed to meet the financial management system requirements, the nonconformances were not deemed material.

### ***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 2004 Federal Information Security Management Act (FISMA) Report, submitted October 6, 2004, to the Office of Management and Budget (OMB). NARA's Inspector General, however, did identify six new significant deficiencies in his FISMA Report, all relating in general to computer security. The six deficiencies were derived from preliminary draft potential findings as part of the FY 2004 financial audit and have not been formally delivered as findings. If any of the draft potential findings become actual findings, we will develop corrective action plans as needed. We believe we can make any needed corrections in FY 2005.

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

GSA is the financial services provider of NARA financial systems via PEGASYS. At the end of FY 2003, GSA had a material weakness concerning the PEGASYS system. Because

PEGASYS, GSA's financial system, was not compliant with the Joint Financial Management Improvement Program (JFMIP), required by FFMIA, and after significant efforts on both sides to correct the deficiencies, NARA has decided to change financial services provider. Implementation will take place in FY 2006.

***Prompt Payment Act***

GSA is the financial services provider of NARA financial statistics and acts as our agent for implementing the Prompt Payment Act. As a result, NARA statistics are not specifically identifiable.

***Inspector General Act***

NARA maintains an excellent record in 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 can be found in the Performance Section of the full report at [www.archives.gov/about\\_us/reports/annual\\_report.html](http://www.archives.gov/about_us/reports/annual_report.html).

## Facilities

**National Archives Building**  
700 Pennsylvania Avenue, NW  
Washington, DC 20408  
202-501-5400

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

**Washington National  
Records Center**  
4205 Suitland Road  
Suitland, MD 20746  
301-778-1600

**NARA-Northeast Region**  
Diane LeBlanc,  
*Regional Administrator*

NARA-Northeast Region  
(Boston)  
380 Trapelo Road  
Waltham, MA 02452  
866-406-2379

NARA-Northeast Region  
(Pittsfield)  
10 Conte Drive  
Pittsfield, MA 01201  
413-236-3660

NARA-Northeast Region  
(New York City)  
201 Varick Street, 12th Floor  
New York, NY 10014  
212-401-1620

**NARA-Mid Atlantic Region**  
V. Chapman-Smith,  
*Regional Administrator*

NARA-Mid Atlantic Region  
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Philadelphia, PA 19107  
215-606-0100

NARA-Mid Atlantic Region  
(Northeast Philadelphia)  
14700 Townsend Road  
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215-305-2000

**NARA-Southeast Region**  
James McSweeney,  
*Regional Administrator*

NARA-Southeast Region  
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**NARA-Great Lakes Region**  
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*Regional Administrator*

NARA-Great Lakes Region  
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Chicago, IL 60629  
773-948-9001

NARA-Great Lakes Region  
(Dayton)  
3150 Springboro Road  
Dayton, OH 45439  
937-425-0600

**NARA-Central Plains Region**  
R. Reed Whitaker,  
*Regional Administrator*

NARA-Central Plains  
Region (Kansas City)  
2312 East Bannister Road  
Kansas City, MO 64131  
816-268-8000

NARA-Central Plains Region  
(Lee's Summit)  
200 Space Center Drive  
Lee's Summit, MO 64064  
816-288-8100

NARA-Central Plains Region  
(Lenexa)  
17591 West 98th Street, #31-50  
Lenexa, KS 66219  
913-825-7811

**NARA-Southwest Region**  
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*Regional Administrator*

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Fort Worth, TX 76115  
817-831-5900

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Barbara Voss,  
*Regional Administrator*

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**NARA-Pacific Region**  
Shirley J. Burton,  
*Regional Administrator*

NARA-Pacific Region  
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NARA-Pacific Region  
(San Francisco)  
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San Bruno, CA 94066  
650-238-3500

**NARA-Pacific Alaska Region**  
Steven Edwards,  
*Regional Administrator*

NARA-Pacific Alaska Region  
(Seattle)  
6125 Sand Point Way, NE  
Seattle, WA 98115  
206-336-5115

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 63118  
314-801-9250

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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**  
Deborah Leff, *Director*  
Columbia Point  
Boston, MA 02125  
617-514-1600

**Lyndon Baines Johnson  
Library**  
Betty Sue Flowers, *Director*  
2313 Red River Street  
Austin, TX 78705  
512-721-0200

**Nixon Presidential  
Materials Staff**  
Karl Weissenbach, *Director*  
National Archives at College  
Park  
8601 Adelphi Road  
College Park, MD 20740  
301-837-3290

**Gerald R. Ford Library and  
Museum**  
Dennis A. Daellenbach, *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  
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## Copies of This Report

This report is available through our web site at—

*[www.archives.gov/about\\_us/reports/annual\\_report.html](http://www.archives.gov/about_us/reports/annual_report.html)*

Links are provided to both the full report (MD&A, Performance and Financial sections, and Appendixes), as well as the summary report (MD&A). Also located on that page are our strategic plan, annual performance plans, and past performance reports.

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

*[www.archives.gov/global\\_pages/inquire\\_form.html](http://www.archives.gov/global_pages/inquire_form.html)*

or by writing to National Archives and Records Administration, Policy and Communications 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 2005. 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\\_us/](http://www.archives.gov/about_us/)*

**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\\_room/arc/](http://www.archives.gov/research_room/arc/)*

**Public Documents:** The U.S. Government Printing Office and the Office of the Federal Register at NARA work closely to 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/)*

**Public Regulations:** Find, review, and submit comments on Federal documents that are open for comment and published in the *Federal Register*, the Government's legal newspaper. *[www.regulations.gov](http://www.regulations.gov)*

**Careers at NARA:** Review current job openings and learn how to apply. *[www.archives.gov/careers/](http://www.archives.gov/careers/)*

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## PART 2 PERFORMANCE SECTION

### Measuring and Reporting Our Performance

This annual performance report is based on the goals, strategies, and long-range performance targets in our Strategic Plan and the specific objectives in our FY 2004 Annual Performance Plan. The following pages detail our performance on all our FY 2004 objectives. Checked boxes indicate those we fully achieved. Those we did not fully achieve have open boxes with an explanation below. We also included all 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 continued using 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 updates some of our FY 2003 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 are an integral part of our operations.

In our continuous effort to improve our performance measurement program, we have recently 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 for data collection. This upgrade enables us to collect our performance data more consistently and more efficiently and allows us to store much more data for use in analyzing trends.

We have also begun implementation of a program management system (PROMT) to help us control cost and schedule on the Electronic Records Archives (ERA) program. 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. We plan to expand the use of PROMT throughout NARA to help us improve our capabilities for managing and tracking performance on other projects.

## FY 2004 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 2004 Resources Available to Meet This Goal:** \$17,242,000; 140 FTE

#### 1.1 RECORDS MANAGEMENT REDESIGN

#### FY 2004 Objectives

- Deliver the results promised on 95 percent of targeted assistance partnership projects.
- Redesign NARA's records management training program and establish a distance-learning component.
- Establish certification program for records management professionals.

#### Results

*"The presentation on flexible scheduling made us realize we have made major accomplishments, and we're energized for the next phase."*

*"Your help enabled us to file our electronic records under the same scheme as our paper records!"*

*"The class gave me good ideas to incorporate into our records management program."*

- We delivered the results promised on 100 percent of targeted assistance partnership projects.
- We redesigned our records management training program, including a distance-learning component.
- We created a records management certification program.
- We increased the number of partnership projects established with Federal agencies from 348 to 361.
- We trained 2,997 Federal agency staff in records management and electronic records management.



- ✓ We developed criteria and internal procedures for conducting records management studies.

*Discussion* Targeted assistance projects are established between NARA and Federal agencies to solve specific records management problems. We established 13 new projects with Federal agencies this year. Since the program began in 1999, we have established 361 projects, completed 266 projects, and assisted 103 Federal agencies and field offices. In FY 2004, we established about a quarter of the number of projects we started in FY 2003. With more than 100 projects in progress, and the need to use the records management expertise of some of our targeted assistance specialists for the development and implementation of new records management initiatives, we opted to not start as many projects as in past years. This will continue to fluctuate as requirements demand.

An example of the kind of work addressed in a targeted assistance project is our partnership with the United States Department of the Interior, Office of the Special Trustee for American Indians, to assist the office in records management training and development of records schedules covering the fiduciary trust records of the Bureau of Indian Affairs (BIA). Against the backdrop of the *Cobell, et al. v. Norton, et al.*, Indian trust litigation pending in the U.S. District Court for the District of Columbia, and according to court-ordered deadlines, NARA appraised and approved the permanent retention of 202 textual series of records and 34 electronic data files. These records will be retained as historically valuable records at NARA's Federal Records Center in Lenexa, KS, referred to as the American Indian Records Repository, thereby ensuring the secure storage of trust-related records that document the rights of the American Indian and the accountability of the Government.

We provided records management training to 2,997 Federal agency staff across the country this year, a 14-percent decrease from last year. The number we train each year fluctuates, depending on availability of staff to perform training. Ten percent of Federal agency staff enrolled in NARA records management training took their first NARA training course.

We created a NARA-wide records management training team, which has redesigned the content and format of NARA's training program for agency records professionals, using adult education concepts and proposed alternative delivery approaches in addition to traditional classroom settings. We delivered two training seminars ("webinars") to Federal records managers across the country using the Internet for the visual part of the training and the telephone for the audio part. Feedback from participants was very positive. An Environmental Protection Agency participant said, "I cannot always get out to meetings. The feature of not having to leave the office but being able to attend is great!" The redesigned training program, using webinars and other innovative delivery methods, will help agency records professionals better support the business needs of the agencies they serve, highlighting the importance of managing agency records as information assets and incorporating the principles of asset and risk management. We also established a Records Management Training Officer position to bring in the latest in adult education techniques. NARA's training program will address new trends in records management and the ongoing revolution in information technology so that agency records professionals can play an important role in process design, IT capital planning, and information and knowledge management in their agencies.

**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2004**

<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<i>Performance target for annual percent of targeted assistance partnership projects delivering the results promised</i>	–	–	75	85	90	95
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	33	123	63	77	58	13
Annual number of targeted assistance partnership projects completed	2	37	58	76	67	26
Annual number of successful targeted assistance partnership projects completed	2	37	58	76	67	26
Cumulative number of targeted assistance partnership projects initiated with Federal agencies	33	156	213	290	348	361
Cumulative number of targeted assistance partnership projects completed with Federal agencies	2	39	97	173	240	266
Number of Federal agency staff receiving NARA training in records management and electronic records management	2,997	3,506	2,506	3,746	3,392	2,997
Number of records management training participants who are taking a NARA records management course for the first time	–	–	–	–	–	297

*FY 2005 Performance Plan Evaluation* As we continue to make targeted assistance the basis of the way we help Federal agencies with records management, we expect to see significant improvements in the way Federal agencies manage their records. Based on recommendations made by NARA's Inspector General, we have taken steps to tighten the success criteria for these projects and are getting agency feedback in judging success. In 2005 we will develop a measurement methodology for the outcomes of targeted assistance to Federal agencies.

NARA's *Strategic Directions for Federal Records Management* established the strategies we are using to improve records management across the Government and achieve Goal 1. In FY 2003 and FY 2004, we began to implement these strategies through a unified NARA program to support Federal records management. In FY 2005 and beyond, the NARA records management program will 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 working to find ways to minimize routine records scheduling activities and to develop planning and evaluation tools and automated tools to support records management. 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. A status of the initiatives we are undertaking is

provided in the full report available at [www.archives.gov/about\\_us/reports/annual\\_report.html](http://www.archives.gov/about_us/reports/annual_report.html).

With new online training and a professional certification program launched in FY 2005, we expect to see an increase in the number of Federal agency staff taking NARA records management courses, especially staff taking training for the first time. The Certification of Completion of Training in Federal Records Management is on track to go live at the beginning of FY 2005. We plan to use the Office of Personnel Management's (OPM) GoLearn site for hosting our online certification in support of the e-Training e-Government initiative. We expect the first students to complete all five required records management training courses and the certification process in late FY 2005.

#### 1.2 SCHEDULES FOR CAPITAL ASSET PLANS

##### **FY 2004 Objectives**

- In coordination with OMB, develop a requirement for agencies to report on records management requirements in their FY 2006 capital asset plans.
- Develop transfer guidance for three additional electronic records formats.

##### **Results**

- We developed language for the FY 2006 Exhibit 300 guidance, which was not incorporated at this time.
- We issued transfer guidance for three electronic records formats – digital photography, geographical information systems, and web content records.
- We piloted a records management application in two NARA units.

*Discussion* We continue to support the President's e-Government initiatives through the Electronic Records Management Initiative, which is providing practical recordkeeping guidance and tools to Federal agencies for managing electronic records. NARA is partnering on this initiative with the Department of Defense, the Environmental Protection Agency, and other agencies. This year we added digital photographic records, digital geospatial data records, and web content records to the formats accepted by NARA. This year's work completes the list of formats (six in all) for which NARA is creating specific transfer guidance.

In consultation with OMB, we determined that using the Capital Asset Plan (Exhibit 300) was not a viable mechanism for ensuring that records management requirements are identified and addressed early in the lifecycle of all agency systems. Under the auspices of the Interagency Committee on Government Information (ICGI) and through the Electronic Records Policy Working Group (ERPWG), an interagency group chaired by NARA, we identified other potential avenues for institutionalizing agency incorporation of records management requirements into IT system planning, including incorporating

certain requirements in the Federal Acquisitions Regulations (FAR) and developing electronic records management (ERM) toolkit guidance. In addition, OMB mandated that the Electronic Records Management Initiative establish memoranda of understanding with 26 Federal agencies to ensure that agencies incorporate guidance produced by the initiative into their records management business processes. One of the guidance products, "Guidance for Coordinating the Evaluation of Capital Planning and Investment Control (CPIC) Proposals for ERM Applications," recommends that agencies involve their records staff in reviewing CPIC proposals for ERM functionality. While this does not directly affect early records scheduling, it does promote involving records staff early in the records management business process.

*FY 2005 Performance Plan Evaluation* The ERM Initiative will continue to promote the transition to Government-wide electronic records management with additional guidance products. We will work with the Department of Defense to extend the DoD 5015.2-STD to include transfer to NARA and interoperability specifications. Future transitional products will be developed under the auspices of ICGI and its ERPWG.

### 1.3 SCHEDULING AND APPRAISAL SERVICES

#### **FY 2004 Objectives**

- Process records schedule items within a median time of 220 calendar days or less.
- Develop detailed workflows for scheduling and appraisal, processing of Federal electronic records, transfer of records to Federal records centers, and carrying out disposition of records by Federal records centers.
- Develop concept of operations for automated workflow and collaboration tools to support the redesigned scheduling and appraisal process.
- Survey Federal agencies to determine baseline satisfaction with NARA scheduling and appraisal services.

#### **Results**

- We processed records schedule items within a median time of 253 calendar days.
- We completed process models for scheduling and appraisal, processing of Federal electronic records, transfer of records to Federal records centers, and carrying out disposition of records.
- We collected and analyzed internal and external stakeholder requirements for automated workflow and collaboration tools to support the redesigned scheduling and appraisal process.

- ✓ We surveyed Federal agencies to determine their satisfaction with NARA scheduling and appraisal services. Survey data is being analyzed.

*Discussion* We continue 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 predictive of the effort involved in completing records schedules. To some degree, work on other important records management initiatives getting under way this year, such as the new records management training curriculum and national records management projects, has used resources that would have been used for processing records schedules. This demand on current resources will likely continue until some of these initiatives are self-sustaining.

In FY 2003 we undertook a business process reengineering effort for the records scheduling, appraisal, and accessioning process, and developed a high-level improved, future model of all records lifecycle business processes at NARA. Many of these processes will be built into the Electronic Records Archives being designed in FY 2005. In FY 2004, we completed modeling NARA's current processes for scheduling and appraisal, processing electronic Federal records, transferring records to Federal records centers, and carrying out disposition of records by Federal records centers. In addition, we developed and approved the long-term redesigned processes for these four processes. We also analyzed stakeholder needs for automated workflow and collaboration tools to support the redesigned scheduling and appraisal process. This analysis will inform the prototyping of these tools by the ERA contractors.

We launched a survey of Federal agencies to determine their baseline level of satisfaction with NARA's scheduling and appraisal services. The goal of this survey is to demonstrate improvement in customer satisfaction with NARA's redesigned scheduling and appraisal services over the long term.

<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<i>Performance target for median time for records schedule items completed (in calendar days)</i>	–	–	260	240	225	220
Median time for records schedule items completed (in calendar days)	337	283	237	470	155	253
Average age of schedule items at completion (in calendar days)	502	461	410	532	274	332
Number of schedule items completed	3,262	5,664	4,728	9,374	4,686	3,182
Number of records schedule items completed within 120 calendar days of submission to NARA	469	1,229	659	2,163	1,638	541
Percent of records schedule items completed within 120 calendar days of submission to NARA	14	22	14	21	34	16
Percent of Federal agencies that are satisfied with NARA scheduling and appraisal services	–	–	–	–	–	57

*FY 2005 Performance Plan Evaluation* We have set our FY 2005 target for closing out records schedules at a median time of 200 calendar days or less. This target reflects that only gradual change is possible now. However, with the implementation of new processes that we are addressing through the Lifecycle Business Process Reengineering and the deployment of the Electronic Records Archives, major improvements will be possible in the future.

## **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 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 2004 Resources Available to Meet This Goal:** \$52,852,000; 83 FTE

### 2.1 SERVICING ELECTRONIC RECORDS IN NARA RECORDS CENTERS

#### **FY 2004 Objectives**

- Establish and test a pilot for remote servicing capability for electronic Official Military Personnel Files for Army.
- Establish pilot programs at selected records centers to store backup and inactive copies of agency electronic media.

#### **Results**

- ✓ We developed and tested an interface between NARA's Case Management Reporting System and the Defense Personnel Reporting and Information System.
- ✓ We identified two sites to pilot electronic records media storage in NARA Federal Records Centers.

*Discussion* Since 1999, NARA's Records Center Program (RCP) has been fully reimbursable, which allows us to be more flexible in responding to agency records needs and requires us to meet those needs in a cost-effective and efficient way. Our ability to provide our records center customers with responsive services for electronic records is

closely tied to our Electronic Records Archives program. Until ERA is ready and can provide online servicing, we will test the delivery of new offline services for electronic records, and we have developed a five-year action plan to pilot new services.

In FY 2004, we built an interface between NARA's Case Management Reporting System (CMRS) and the Army's Defense Personnel Reporting and Information System (DPRIS), to enable National Personnel Records Center technicians to access electronic Official Military Personnel Files (OMPFs) of the Department of the Army. This capability will ensure that not only are we better able to respond to our customers, but the Army will be able to ensure the survival of its electronic records and will no longer need to output its electronic records to textual or microform media. We are working with the Department of the Army to determine when and how NARA will be able to access the electronic OMPFs.

We also identified two pilot sites to establish a basic capability within NARA's RCP system for receiving and storing physical media for temporary electronic records. An additional pilot site will demonstrate basic scanning and conversion services. The main challenge is to keep pace with the competition by bringing high-quality services to market in a short timeframe.

*FY 2005 Performance Plan Evaluation* We will develop a business model for the RCP for electronic records services. The knowledge and experience from our pilots will be used to refine our services and prices for next year.

## 2.2 ACCESSIONING ELECTRONIC RECORDS

### **FY 2004 Objectives**

- Survey Federal agencies to identify electronic systems that generate electronic records, and develop priorities for scheduling these records.

### **Results**

- ✓ We identified 7,200 electronic systems that generate electronic records that have not yet been scheduled.

*Discussion* Through Federal agency surveys, NARA identified electronic systems in Federal agencies that are generating electronic records but have not yet been scheduled. We identified 7,200 systems this year.

To assist us in setting priorities for helping Federal agencies deal with electronic records management, we developed criteria, procedures, and a handbook for identifying the functional areas within the Government that contain the greatest records management resources. The criteria used focus our attention on electronic records that are at greatest risk of not being managed effectively, electronic records that document citizens' rights and Government accountability, and electronic records of archival value. We are using these criteria for efficiently allocating our resources.

We accepted the first electronic records transferred under one of the new transfer formats – 100 logical data records in PDF from the U.S. Census Bureau. Our accessioning backlog, which are archival records for which we have taken legal custody from Federal agencies but have not yet begun processing, increased considerably throughout the year from about 100 million logical data records at midyear to more than 500 million logical



data records by year's end. This amount is understated because our upgraded Accession Management Information System has not yet counted everything in our backlog. But looking at just what was transferred to NARA this year, the growth in electronic records in our custody jumped more than 500 percent since last year.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Number of electronic records accessioned in one of the new transfer formats (in logical data records)	–	–	–	100
Size of accessioning backlog (in millions of logical data records)	–	–	–	529
Number of electronic records transferred (in thousands of files)*	2.1	7.8	68.3	432.9

*\* Numbers for 2001–2004 represent the number of files transferred to NARA. The number of electronic records transferred, in logical data records, which is the preferred unit of measure, was not available until the Accession Management Information System upgrade was completed in 2004. We will continue to show the number of files for several years so that trends can be observed.*

*FY 2005 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 our significantly increasing backlog of archival electronic records in a meaningful way 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 2004 Objectives**

- Conduct online survey of customer satisfaction with online access to electronic records through Access to Archival Databases system.
- Increase archival electronic holdings that are accessible online by 50 percent.

#### **Results**

*"I found my namesake's records!  
Thank you!"*

- We evaluated the results of an online survey of customer satisfaction with the Access to Archival Databases system.

*"Great site! With little difficulty, I  
found my father's WWII POW  
records. Thanks!"*

- We increased our archival electronic holdings that are accessible online by 51 percent.

*Discussion* We conducted an online survey of customer satisfaction with the Access to Archival Databases (AAD) system on *archives.gov*, which we launched last year. The survey used the American Customer Satisfaction Index for customer surveys of Government online services, which helped us compare our results with those of other Government web sites. The results of our most recent survey sample show that while our online visitors give high marks to our content (79, eight points above the index bench-

mark), our navigation could still be improved (64). In addition, we contracted with two independent experts to perform laboratory-based usability testing and provide an assessment of the extent to which AAD met industry standards for a user-friendly web site. All of these sources pointed to the same conclusion – we need to make significant revisions in the AAD user interface. We contracted with a web designer to help us implement many of the recommendations that came out of the reports.

<b>Performance Data</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<i>Performance target for percent increase in number of archival electronic holdings accessible online</i>	–	–	50
Percent increase in number of archival electronic holdings accessible online	–	–	51
Number of archival electronic holdings accessible online (cumulative logical data records in millions)	0	47	71
Number of archival electronic holdings (cumulative logical data records in millions)	3,713.9	4,742.9	5,629.1
Percent of electronic records available online	0	1	1.4
Number of online visits to AAD (in thousands of visits)	–	489	551

*FY 2005 Performance Plan Evaluation* We will continue to survey AAD visitors as we make improvements to our site. We expect to launch the revised AAD user interface in FY 2005.

2.4 PROCESSING ELECTRONIC RECORDS

**FY 2004 Objectives**

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

**Results**

- ✓ We processed archival electronic records transfers within a median time of 736 calendar days.
- ✓ We installed a major upgrade to our Accession Management Information System.

*Discussion* We significantly underestimated the amount of time it takes to process transfers of archival electronic records when setting the target for this new performance metric. This occurred in part because we set our target prior to fully defining the scope of the metric. We expect to see the processing time improve in the near term with the deployment in FY 2004 of an upgraded Accession Management Information System, which supports the overall accessioning process. In addition, we added electronic tape autoloaders and modified software to increase the capacity and speed of initial preservation (i.e., making an exact copy onto archivally acceptable media) of records through our existing Archival Preservation System. We also integrated digital linear tapes into the archival tape copying process by purchasing software that analyzes and certifies new digital linear tapes as free of errors and defects. While we are extending and expanding our existing systems in an attempt to keep up with the growth in the volume of electronic records we are receiving, significant improvements will not be realized until deployment of ERA.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<i>Performance target for median time to make archival electronic accessions available for access (in calendar days)</i>	–	–	–	250
Median time (in calendar days) for processing electronic records accessions from the time of transfer to NARA	–	–	450	736
Number of electronic records transferred (in thousands of files)*	2.1	6.8	68.3	432.9
Number of electronic records transferred (in millions of logical data records)*	–	–	–	519
Cost per electronic record transferred	–	–	–	\$0.01

\* Figures represent the number of files transferred to NARA. The number of electronic records transferred, in logical data records, which is the preferred unit of measure, was not available until the Accession Management Information System upgrade was completed in 2004. We will continue to show the number of files for several years so that trends can be observed.

*FY 2005 Performance Plan Evaluation* We will study our existing processing capabilities and capacities, particularly with regard to copying and verifying larger volumes of diversely formatted records. Despite these steps, we expect that our ability to keep up with the volume of archival electronic records transferred to NARA in the near future will be overwhelmed.

#### 2.5 COST OF ELECTRONIC RECORDS PRESERVATION

**FY 2004 Objectives**  Award contract for design of the ERA system.

**Results**

- We awarded contracts for a competitive system analysis and design of the ERA system to two companies.
- We deployed PROMT, an earned value management system, for ERA performance measurement.

*Discussion* Through the Electronic Records Archives (ERA), we are creating a digital National Archives that will make permanently valuable Government records available to anyone, at any time, and in any place, for as long as needed. A major achievement in FY 2004, we awarded design contracts to two companies on August 3, beginning a one-year design competition to determine who will build ERA.

GAO Report, *Records Management: Planning for the Electronic Records Archives Has Improved* (GAO-04-927), September 2004, notes the progress we have made toward addressing program management recommendations that will ensure that we are effectively managing the ERA program. Some of that progress is shown in the beginning implementation of a program management tool, PROMT, which will enable us to perform program control activities, including earned value management. The EIA-748 compliant tool meets OMB and GAO standards for earned value management. We began procurement for independent verification and validation services to provide independent oversight of ERA development efforts.

We continued our collaborative research efforts into issues related to the lifecycle management of electronic records that are beyond state-of-the-art information technology or state-of-the-science computer, information, or archival sciences. Research and exploratory development activities are well aligned with the work of the Interagency Working Group on Information Technology's Research and Development program, which is a "high Administration priority" as outlined in a recent memorandum to agencies, and the President's Management Council's vision of Government-wide electronic records management in support of e-Government. We continued to rely to a large extent on established R&D management capabilities in partner agencies.

Overall, the number of logical data records in NARA custody increased by 15 percent over last year, an increase of nearly 900 million logical data records, and a 140-percent increase in three years. It is important to recognize that all our performance today represents is the ability to take custody and copy these electronic records for preservation. The ability to preserve these records in a persistent format over time and to make these records readily accessible to the public is being addressed within the scope of the ERA program.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<i>Performance target of percent of NARA's electronic holdings stabilized in preparation for their transfer to the Electronic Records Archives</i>	40	60	65	99
Percent of NARA's electronic holdings are stabilized in preparation for their transfer to the Electronic Records Archives	97	98	97	93
Number of logical data records in NARA's custody (in millions)	2,345	3,714	4,725	5,629
Number of logical data records stabilized (in millions)	2,272	3,642	4,594	5,252
Percent of Presidential logical data records managed and stabilized	99	49	49	62
Number of Presidential logical data records (in millions)	2.2	35.3	35.3	35.3
Number of Presidential logical data records stabilized (in millions)	2.2	17.3	17.3	22.1
Per megabyte cost for stabilizing archival electronic records	—	—	\$4.50	\$4.77

*FY 2005 Performance Plan Evaluation* Our challenge in FY 2005 is to effectively manage the performance of two contractors so that they meet their cost, schedule, and technical objectives. We expect to select one contractor to develop the ERA system by the end of the year.

### **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 2004 Resources Available to Meet This Goal:** \$146,092,000; 2,352 FTE

#### 3.1 CUSTOMER SERVICE

##### **FY 2004 Objectives**

Meet or exceed NARA's published standards for access to records and services, as noted below:

- 90 percent of written requests are answered within 10 working days;
- 85 percent of Freedom of Information Act (FOIA) requests are completed within 20 working days;

- ☑ 70 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;
- ☑ 90 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;
- ☑ 75 percent of archival fixed-fee reproduction orders through the Order Fulfillment and Accounting System (OFAS) are completed in 35 working days or less;
- ☑ 95 percent of education programs, workshops, and training courses meet attendees' expectations.

**Results**

*"Thanks for going the extra mile!"*

*"I appreciate a "real" person helping from the other end of the world!"*  
– an Army major in Kuwait

*"I'm spreading the word to all my fellow vets out there what an outstanding job you folks are doing!"*

*"The quality of NARA's recordkeeping and research makes me proud to be an American."*

*"I am extremely impressed by the customer service provided by NARA staff."*

- ✓ We answered 95 percent of written requests within 10 working days.
- ✓ We completed 67 percent of all FOIA requests for Federal records within 20 working days.
- ✓ We answered 75 percent of military service separation records requests within 10 working days.
- ✓ We furnished 99 percent of requested items within one hour of request or of scheduled pull time.
- ✓ We furnished records at the appointed time for 99 percent of customers with appointments.
- ✓ We had ready 96 percent of Federal agency reference requests when promised to the customer.

- "I found your expertise to be extremely helpful as Bermuda endeavors to develop Freedom of Information Legislation."* ✓ Of the records we shipped to Federal agencies, 99.99 percent were the records agencies requested.
- "My search for military records on my great-great-grandfather was a success! Your services are invaluable."* ✓ We completed 99.9 percent of our archival fixed-fee reproduction orders through OFAS in 35 days or less.
- "I can't say enough about how good this workshop was, and how relevant it was to my job."* ✓ Our users rated 99 percent of our public education programs and workshops as meeting their expectations.

*Discussion* Once again we met or exceeded nearly all of our customer service targets. Staff and volunteers take these targets very seriously and, as frequently noted by our customers, go above and beyond what is required to meet our customers' expectations. Of particular note this year is that our customers received answers to their requests for military service separation records within 10 days 75 percent of the time, a 100-percent increase over last year. This is a major step toward getting us to our target of 95 percent in FY 2005.

While the timeliness of our responses to Freedom of Information Act (FOIA) requests improved over last year, we are still far short of our target for completing 85 percent of FOIA requests for Federal records within 20 working days. A combination of factors contributes to this. FOIAs for military records take considerably longer than the 20-day standard if the request is for a record that was lost in the 1973 fire at the National Personnel Records Center and the data must be reconstructed from other sources, or if the record has been borrowed by another agency. Also, the length of time to respond to a FOIA can be lengthy if the records must be referred to another agency for declassification review before releasing the information, or if the records requested are particularly voluminous. Overall, the average age of completed FOIAs increased to 45 working days in FY 2004, a 13-percent increase over last year and a steady upward trend since FY 2001, when the average age of a completed FOIA was 9 days. We keep our target for FOIA response to Federal records high because we believe we should aspire to the highest level of customer service whenever possible. And, for the majority of requests, we are able to meet or exceed our target. Fifty-two percent of the more than 5,000 FOIAs we completed were done in 10 days or less, half the time required by law.

We continued to make steady progress in a multiyear project to microfilm the records of the Bureau of Refugees, Freedmen, and Abandoned Lands (Freedmen's Bureau) from the Reconstruction era, which contain a great deal of information about the African American family experience across 15 states and the District of Columbia. The information is difficult to extract, the records are fragile, and have only been available in one NARA location. To date, we have distributed the microfilm of these records to our regional archives and microfilm rental program for 10 states (Florida, Alabama, Arkansas, Georgia, Kentucky, Maryland, Delaware, Louisiana, Mississippi, and Missouri) and the District of Columbia. And, with the help of a small grant from the Peck Stackpoole Foundation and a partnership with Howard University's Computer Science Department,

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we have begun a pilot to index and provide online access to Headquarters Marriage Certificate files, some of the most popular files in this series for genealogists.

<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<i>Performance target for written requests answered within 10 working days</i>	–	80	80	85	85	90
Percent of written requests answered within 10 working days	89	92	93	93	94	95
<i>Performance target for Freedom of Information Act requests completed within 20 working days</i>	–	80	80	85	85	85
Percent of Freedom of Information Act requests for Federal records completed within 20 working days	35	27	27	76	61	67
Number of FOIAs processed	6,911	8,751	7,634	8,824	4,830	5,224
Annual cost to process FOIAs (in millions)	–	–	–	\$1.54	\$1.35	\$1.43
Annual per FOIA cost	–	–	–	\$175	\$265	\$272
<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
Percent of requests for military service separation records at NPRC answered within 10 working days	–	–	7	40	37	75
Number of military service separation records (DD-214) requests received (in thousands)	–	–	297	361	390	372
Average price per request for military service separation records	–	–	–	–	\$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	7	3	4	28	28	48
<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
Percent of items requested in our research rooms furnished within one hour of request or scheduled pull time	94	89	93	94	96	99
Number of researchers visiting our research rooms (in thousands)	–	–	–	248.7	204.5	168.8
Number of items furnished in our research rooms (in thousands)	833	918	1,056	613	607	879
Number of items furnished on time in our research rooms (in thousands)	501	818	985	578	584	866
<i>Performance target for customers with appointments for whom records are waiting at the appointed time</i>	–	99	99	99	99	99
Percent of customers with appointments for whom records are waiting at the appointed time	99.7	99.4	99.7	99.8	99.9	99.3



<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<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	90
Percent of Federal agency reference requests in Federal records centers that are ready when promised to the customer	81	79	93	92	94	96
<i>Performance target for records center shipments to Federal agencies are the records they requested</i>	–	–	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
<i>Performance target for archival fixed-fee reproduction orders through OFAS are completed in 35 working days or less</i>	–	–	–	50	60	75
Percent of archival fixed-fee reproduction orders through OFAS are completed in 35 working days or less	–	–	–	88	99	99.9
Average per order cost to operate fixed-fee ordering	–	–	–	–	\$26.34	\$29.35
Average order completion time (days)	–	–	–	20	14	9
<i>Performance target for percent of education programs, workshops, and training courses meeting attendees' expectations</i>	–	90	90	95	95	95
Percent of education programs, workshops, and training courses meeting attendees' expectations	90	95	97	96	95	99
Number of program attendees	6,848	6,971	6,291	8,447	7,601	8,288

*FY 2005 Performance Plan Evaluation* For customer service targets that we currently meet, we expect to continue that trend and have increased our targets for several. For those that we have not met, we expect to see steady improvements in FY 2005.

**3.2 ONLINE SERVICES**

**FY 2004 Objectives**

- Ensure 40 percent of NARA services are available online.

**Results**

- ✓ We made 40 percent of our services available online.

*"Order Online! is a much welcome addition to your website and services!"*

- ✓ We launched Order Online!, a web-based capability that allows Internet users to order copies of military service and family history records.

*"I especially appreciate the ability to order Civil War pension records online."*

- ✓ We piloted an online registration management system.

*Discussion* The launch of Order Online! this year was a success, and customer feedback on its usability, while informally collected, has been very positive. The web-based application allows Internet users to make and pay for online orders of Federal Military Pension Applications (1775–1916), Census Records (1790–1930), Military Bounty-Land Warrant Application Files (1775–1855), and Land Entry Files. The application has been available to users 98 percent of the time, and more than 23,000 users have accessed the site since its launch. Customers can still order these records with the old paper forms, but feedback indicates that users find the online capability easier.

We piloted an online registration management system that was implemented shortly after the end of the fiscal year. When fully deployed, the system will allow NARA customers to register and pay for records management classes and conferences via the Internet. Currently, the system is used for registering students to NARA’s records management classes at the National Archives at College Park and may eventually be used for all public events and workshops. As part of the full implementation, we will use *Pay.gov*, a Government-wide transaction portal sponsored by the Department of the Treasury, to process payment for classes by credit or debit card, verify payment with registration, and send an e-mail with confirmation of registration.

<b>Performance Data</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Online visits to NARA’s web site (in thousands)	10,096	16,106	19,538	30,943	30,428
Cost to provide NARA services online per visit	–	–	–	\$0.16	\$0.13
<i>Performance target for percent of NARA services available online</i>	–	–	20	30	40
Percent of NARA services available online	–	24	25	30	40
Number of NARA services online	–	29	30	36	48

*FY 2005 Performance Plan Evaluation* We are working on online services to be deployed in FY 2005, which will enable us to meet our target of 50 percent of our online services online. Our plans to implement online ordering and payment of merchandise, such as printed publications, mementos, and other specialty products from catalogs and marketing publications sold by NARA, are on hold while we review the results of a business process reengineering study to analyze alternatives, establish requirements, and develop a concept of operations for merchandising. This capability will require an enhancement to Order Online!

3.3 ONLINE CATALOG

**FY 2004 Objectives**

- Describe 30 percent of NARA traditional holdings in the Archival Research Catalog.
- Describe 30 percent of NARA artifact holdings in the Archival Research Catalog.
- Describe 5 percent of NARA electronic holdings in the Archival Research Catalog.

**Results**

*"ARC is a great resource – keep up the good work!"*

- ✓ We described 33 percent of NARA traditional holdings in the Archival Research Catalog (ARC).

*"I am interested in our Indian heritage and have found that ARC is a helpful tool."*

- ✓ We described 40 percent of NARA artifact holdings in the ARC.
- ✓ We described 10 percent of NARA electronic holdings in ARC.

*Discussion* While we planned to only roll out ARC to 50 percent of our units this year, we were actually able to implement it at 97 percent of our units nationwide. Rollout includes technical implementation of the data entry system and training staff to enter new descriptions of our holdings into ARC. We will complete the rollout to one last region in FY 2005. Description work has significantly increased this year, with more than 200,000 artifacts, 500 million logical data records, and nearly 1 million cubic feet of traditional holdings described and searchable at the series or collection level in ARC via the Internet.

**Performance Data**

	2000	2001	2002	2003	2004
Percent of nationwide archival holdings described in an online catalog	13.9	13.2	–	–	–
Cubic feet of archival holdings (in thousands)	2,768	2,915	–	–	–
Cubic feet of archival holdings described in an online catalog	386	386	–	–	–
<i>Performance target for traditional holdings in an online catalog</i>	–	–	20	25	30
Percent of traditional holdings in an online catalog	–	–	19	20	33
Number of traditional holdings described in an online catalog (thousands of cubic feet)	–	–	550	602	1,033
Number of traditional holdings in NARA (thousands of cubic feet)	–	–	2,890	3,025	3,157
<i>Performance target for artifact holdings in an online catalog</i>	–	–	20	25	30
Percent of artifact holdings in an online catalog	–	–	19	17	40
Number of artifact holdings described in an online catalog (thousands of items)	–	–	90	90	215
Number of artifact holdings in NARA (thousands of items)	–	–	470	528	540
<i>Performance target for electronic holdings in an online catalog</i>	–	–	0	0	5
Percent of electronic holdings in an online catalog	–	–	0.02	0.02	10
Number of electronic holdings described in an online catalog (millions of logical data records)	–	–	1	1	536
Number of electronic holdings in NARA (millions of logical data records)	–	–	3,714	4,743	5,629
Number of ARC users (in thousands of user hits*)	–	–	713	1,884	–
Number of ARC users (in thousands of visits*)	–	–	–	–	158

*\* 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 2005 Performance Plan Evaluation* We anticipate meeting our targets set for 2005. However, much of the description work occurring now is for larger series and collections that represent considerably more holdings and get more of our holdings into ARC quickly. As we move forward to other smaller records series or collections, 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 or collection. 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 2004 Objectives**

- Determine the universe of records subject to the automatic declassification provision of E.O. 12958, as amended, by the required reporting through the declassification plans of Executive branch agencies.
- Implement solutions to impediments to meeting the December 31, 2006, deadline for automatic declassification.
- Develop guidance about how to collect data on the number of classification decisions made in automated systems, including e-mail, and distribute to Executive branch agencies.

#### **Results**

- ✓ 98 percent of the agency declassification plans we requested were submitted to ISOO.
- ✓ We are circulating for review by agencies a draft referral standard to assist agencies in meeting the automatic declassification deadline.
- ✓ We issued guidance to agencies on collecting metric data on classification decisions made in automated systems.

*Discussion* We tasked 75 agencies with developing declassification plans for how they planned to meet the requirements of Executive Order 12958, as amended. Of those tasked, 30 agencies did not need to develop plans because they had no records subject to automatic declassification. Of the remaining agencies, 27 submitted plans that were found acceptable and 13 submitted plans that needed additional work to be acceptable. Five agencies did not provide a plan. We are working with those agencies that did not

submit acceptable plans. As one solution to meeting the December 31, 2006, deadline for automatic declassification, ISOO is working on standardizing the referral process to records that need to be addressed by agencies with joint equities. We have encouraged the development of a framework for a Government-wide declassification training program and information sharing of declassification guidance through the External Referral Working Group (ERWG), an interagency working group within which the declassification community is well represented.

<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004*</b>
Number of pages declassified Government-wide (in millions of pages)	126.8	75.0	100.1	44.4	43.1	TBD
Per page cost of Government-wide declassification	\$1.84	\$3.08	\$2.32	\$2.55	\$1.25	TBD
Total cost of declassification Government-wide (in millions of dollars)	\$233.1	\$230.9	\$231.9	\$112.96	\$53.8	TBD

\* FY 2004 data will be collected from Federal agencies and reported to Congress in June 2005.

*FY 2005 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 divert resources away from declassification efforts Government-wide or 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 2004 Objectives**

- Conduct a survey of those record groups that are not being reviewed by the originating agency to determine which agencies have equities in the records and make appropriate referrals to those agencies.
- Scan 300,000 pages of Presidential archival materials eligible for declassification review as part of the Remote Archives Capture project.

**Results**

- We surveyed 7,360 cubic feet of records that are not being reviewed by the originating agency to determine which agencies have equities in the records and make appropriate referrals to those agencies.
- We released 993,567 pages of declassified Federal records and 93,588 pages of declassified Presidential records.
- We scanned 500,343 pages of Presidential materials eligible for declassification review as part of the Remote Archives Capture project.

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*Discussion* We created a referral center to streamline the process of agency review of referred materials in accessioned records. Agencies have been asked to determine if their equity in documents is releasable or exempt. We expect this center to eventually provide a one-stop, systematic way for agencies to examine and clear their referred materials. Responding to the needs of our customers, NARA staff increased efforts to process for release those records series known to be in high demand by researchers that have undergone declassification review by other agencies. We completed a survey of those record groups that not being reviewed by the originating agencies to identify the equities of other agencies that may still have concerns about information in the records. These agencies are those that receive, but do not generate, many classified records. We now must work with ISOO to encourage agencies to take responsibility for reviewing their records or negotiate an agreement with another agency to do the review on their behalf.

For classified materials in the Presidential library system for which we have no delegated declassification authority, we established a partnership with the Central Intelligence Agency (CIA) to prepare and scan classified materials for distribution to agencies with equities in the documents. CIA is funding all of the technological development, hardware, and software for the project.

<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Backlog of Federal records requiring declassification at start of year (in thousands)	20,000	52,864	25,029	20,980	18,980	25,581
<i>Performance target for annual percentage of Federal records NARA reviewed that are more than 25 years old for which NARA has declassification authority</i>	–	50	50	85	90	–
Annual percentage of Federal records NARA reviewed that are more than 25 years old for which NARA has declassification authority	52	15	9	12	7	2
Backlog of Presidential materials requiring declassification at start of year (in thousands)	1,500	1,978	1,562	1,240	960	806
<i>Performance target for annual percentage of Presidential records NARA reviewed that are more than 25 years old for which NARA has declassification authority</i>	–	25	25	85	90	–
Annual percentage of Presidential records NARA reviewed that are more than 25 years old for which NARA has declassification authority	48	21	21	23	16	17
Annual number of Federal pages reviewed (in thousands)	11,031	8,052	2,129	2,490	1,257	547
Annual number of Federal pages declassified (in thousands)	8,467	3,697	807	402	340	116
Annual number of Federal pages released (in thousands)	17,026	7,678	1,788	2,184	1,092	994
Annual number of Presidential pages reviewed (in thousands)	713	416	322	280	154	138
Annual number of Presidential pages declassified (in thousands)	305	291	219	119	71	94

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<i>Performance target for annual number of Presidential pages scanned (in thousands)</i>	--	--	300	300	600	300
Annual number of Presidential pages scanned (in thousands)	351	160	322	332	470	500
Annual number of Presidential pages released (in thousands)	291	285	207	182	71	94
Cost per page declassified (Federal and Presidential)	--	--	--	--	--	\$23.44

*FY 2005 Performance Plan Evaluation* Meeting the targets of Executive Order 12958, as amended, will be a significant challenge.

**3.6 PRESIDENTIAL RECORDS**

**FY 2004 Objectives**

- ❑ Process an additional 2 percent of Clinton Presidential and Vice Presidential records for opening on January 20, 2006.

**Results**

- ✓ We processed an additional 1 percent of Clinton Presidential and Vice Presidential records for opening on January 20, 2006.

*Discussion* Progress continued to be slow in processing additional records this year. We focused on preparing to move the records to their permanent location at the William J. Clinton Library and Museum. This included adding more than 4,000 containers to the location register and verifying box descriptions and locations of every archival container in Clinton's holdings. We also reboxed approximately 6,000 containers to accommodate the compact shelving of the permanent facility and assigned locations in the new facility to its archival containers. These steps were all essential to ensure sufficient intellectual control over the move. These preparations contributed to finishing the move of records to the new facility ahead of schedule and will help ensure that staff are able to respond to FOIA requests when the records become subject to FOIA on January 20, 2006.

**Performance Data**

	2001	2002	2003	2004
<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
Cumulative percent of Clinton Presidential and Vice Presidential traditional records processed for opening January 20, 2006	1	1	1	2
Cumulative cubic feet of Clinton Presidential and Vice Presidential traditional records	28,925	28,925	37,686	39,049
Cumulative cubic feet of Clinton Presidential and Vice Presidential traditional records processed for opening	291	291	291	752
<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
<i>Performance target for cumulative percent of Clinton Presidential and Vice Presidential artifacts processed for opening January 20, 2006</i>	0	0	0	0

*FY 2005 Performance Plan Evaluation* We anticipate that staff will be able to devote more resources to archival processing in FY 2005 after the opening and dedication of the library.

**3.7 NHPRC GRANTS**

**FY 2004 Objectives**

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

**Results**

*“For any community, the process of looking at records and thinking about how to keep them changes the way people look at their lives and what is important to record for the future.”*

- ✓ Of the NHPRC-assisted projects completed, 88 percent produced the results promised in their grant applications.
- ✓ We successfully placed all of our grant announcements on the *Grants.gov* web site.

*Discussion* We continued meeting our target for successful completion of our grant projects. This year we completed 96 projects, 12 of which were deemed unsuccessful. About two-thirds of the completed projects were publications efforts, and one-third was records projects. From the work accomplished this year, more than 1,800 cubic feet of records were preserved and made accessible, and 13 documentary editions were published. The average size of grants completed this year was \$68,209. We also worked with *Grants.gov*, one of the 25 Presidential e-Government initiatives, to make our grants announcements and forms available to the public via *Grants.gov*.

For a more complete list of NHPRC-funded grants products, visit [www.archives.gov/grants/funded\\_endorsed\\_projects/funded\\_endorsed\\_projects.html](http://www.archives.gov/grants/funded_endorsed_projects/funded_endorsed_projects.html).

**Performance Data**

	1999	2000	2001	2002	2003	2004
<i>Performance target for percent of NHPRC grant-funded projects produced results promised in grant applications</i>	—	82	84	84	85	86
Percent of NHPRC grant-funded projects that produced results promised in grant applications	100	94	91	79	86	88
Number of NHPRC-assisted projects completed	89	67	115	104	72	96
Number of NHPRC-assisted projects that produced the results promised	89	63	105	82	62	84
Number of traditional records preserved and made accessible through our grants projects (in cubic feet)	—	—	—	—	—	1,803
Number of documentary editions published through our grants project (in volumes)	—	—	—	—	—	13
Percent of NARA’s grants announced on <i>Grants.gov</i>	—	—	--	—	—	100

*FY 2005 Performance Plan Evaluation* We anticipate meeting our target for FY 2005. However, it is important to note that 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 much 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 2004 Resources Available to Meet This Goal:** \$63,360,000; 150 FTE

4.1 ARCHIVAL HOLDINGS IN APPROPRIATE SPACE

**FY 2004 Objectives**

- Complete 90 percent of the renovation of the National Archives Building.
- Complete renovation and expansion of the Reagan Library.
- Complete renovation and addition to the Ford Museum.
- Complete move of Clinton Presidential Materials Project to new library facility.
- Complete 75 percent of the construction of the Southeast Regional Archives.
- Acquire land for Pacific Alaska Regional Archives.
- Review conclusions from the cost-benefit study for the storage and preservation of military personnel records and develop a course of action.

**Results**

- ✓ We completed 95 percent of the renovation activities of the National Archives Building.
- ✓ We opened the new William G. McGowan Theater in the National Archives Building.
- ✓ We completed construction of a 23,400-square-foot addition to the Reagan Library for new

temporary exhibits and a multipurpose learning center and renovated 3,600 square feet of support space.

- ✓ We added 8,800 square feet and renovated 15,000 square feet of space in the Ford Museum, the first major alteration since its opening in 1982.
- ✓ We completed 75 percent of the construction of the Southeast Regional Archives building in East Point, GA.
- ✓ We completed a study of digitization and facility storage options for long-term preservation of military service records, which indicated that the best choice was to move to a new facility.

*Discussion* Another important milestone was met this year in our final steps to complete the renovation of the National Archives Building – we opened the William G. McGowan Theater to the public. The 290-seat theater features the latest technology and equipment in a design that echoes the 1930s architecture of the National Archives Building and was funded entirely by a private gift. The McGowan Theater is expected to be one of the nation's leading centers for documentary film as well as a prominent forum for the discussion and exploration of great issues of American history, democracy, and government. In addition, our new research facilities opened this year, consolidating into one convenient location preeminent genealogy resources in the Washington area.

The 23,400-square-foot Ronald Reagan Library addition was completed this year to include new exhibit space and a multipurpose learning center. The space opened with a Lewis and Clark exhibition, marking the 200th anniversary of their expedition, and later was used by record numbers of visitors after the death of President Reagan.

We moved all the Clinton Presidential and Vice Presidential materials from temporary storage to the new Clinton Library in Little Rock, AR. Preparations are under way for the opening of the William J. Clinton Presidential Library and Museum, scheduled for dedication on November 18, 2004.

During the year, we relocated 100,000 cubic feet of low-use regional archival records to the new archival bay in Lee's Summit, MO, that meets our archival storage standard (NARA 1571). These records were previously stored in regional space that did not meet archival environmental or facility standards. With the relocation of these records, NARA's regional archives system went from having none of its holdings under our archival storage standard to over 15 percent. In FY 2005, NARA will begin moving into the new Southeast Regional Archives in Atlanta, which will place another 100,000 cubic feet of regional archival records under appropriate space and environmental standards, or about one-third of all regional holdings.

After an extensive analysis of the costs of digitizing military personnel records versus continued storage of paper records at the National Personnel Records Center, we chose the least costly option – to continue to rely on paper records – to meet long-term preser-

vation and access needs. An important aspect of that decision will be the safe storage of these records in a custom-built leased facility within 50 miles of the current site. Our next steps will be to develop facility requirements and make plans for the records, staff, and equipment moves.

<b>Performance Data</b>	<b>2003</b>	<b>2004</b>
Percent of archival traditional holdings in appropriate space	–	52
Cubic feet of archival traditional holdings (in thousands)	3,025	3,100
Percent of artifact holdings in appropriate space	–	42
Number of artifact holdings (in thousands)	3,024	540
Percent of logical data record holdings in appropriate space	–	100
Number of logical data record holdings (in millions)	4,743	5,629
Cost of archival storage space per cubic feet of traditional holdings stored	–	\$6.16

*FY 2005 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 2004 Objectives**
- Based on FY 2003 assessment of Federal records centers, develop repair or relocation plans for bringing NARA records centers into compliance with 2009 regulatory storage standards.
  - Complete shelving and move into new records center facility in Dayton.
  - Expand records center facility at Lenexa and move records into facility.
  - Complete a Solicitation for Offer and Lease Agreement for a facility in Southern California to replace the Laguna Niguel records center.
  - Complete construction of a new records center facility in Atlanta to replace the East Point records center and the Palmetto and Birmingham annexes.
  - Close Bluegrass Annex in Philadelphia.

- Results**
- We developed a facility repair plan to bring NARA records centers into compliance with regulatory storage standards by the 2009 deadline.
  - We accepted five bays at the new Dayton records center building, completed shelving, and moved records into the bays.

- ✓ We took occupancy of the last of four bays at Lenexa, and have an option for four more.
- ✓ We completed a lease agreement for a facility in Southern California to replace the Laguna Niguel records center.
- ✓ We took occupancy of a new 350,000-square-foot Southeast Regional Records Center, which will eventually accommodate 1.75 million cubic feet of records.

*Discussion* The primary thrust over the next several years must be to upgrade our records center facilities to meet 2009 regulatory storage standards or relocate 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 began planning for the 2009 deadline by surveying our regional facilities about the scope of necessary improvements and developing timelines and milestones for upgrading specific facilities. These plans include the facility assessments that will be conducted to certify that space meets required storage standards.

<b>Performance Data</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Percent of NARA records center buildings certified as complying with the October 2009 regulatory storage standards	–	–	–	–	0
Volume of records center holdings (cubic feet in millions)	21.7	22.6	23.1	23.2	24.1
Average storage price per cubic foot for records center holdings	\$1.96	\$1.96	\$2.00	\$2.10	\$2.16

*FY 2005 Performance Plan Evaluation* We expect to continue to stay within budget and schedule targets for our facility projects. We will begin certification of NARA records center buildings as we bring them up to compliance with October 2009 regulatory storage standards.

**4.3 PRESERVATION OF AT-RISK HOLDINGS**

- FY 2004 Objectives**
- ☑ Appropriately treat or house 40 percent of NARA’s at-risk archival holdings so as to retard further deterioration.
  - ☑ Complete risk assessment of Official Military Personnel Files (OMPFs).

- Results**
- ✓ We treated or housed 41 percent of NARA’s at-risk archival holdings so as to retard further deterioration.
  - ✓ We completed a risk assessment of the OMPF collection at the National Personnel Records Center.

*Discussion* We assess our holdings regularly to identify those records that have a high risk for deterioration, and then we preserve those records by providing storage that retards deterioration or by treating, duplicating, or reformatting records to preserve them for as long as they are needed. We continued our positive trend of the past several years by meeting our target this year of treating or housing 40 percent of NARA's at-risk archival holdings.

We noted earlier (section 4.1) that we conducted a study this year to consider various options to housing and storing the OMPFs. In anticipation of moving the collection to a new facility, we also completed a risk assessment of the physical condition of the OMPFs. We learned that 85 percent of the OMPFs contain paper-based formats that are unstable, meaning they deteriorate quickly, and more than 30 other types of media or information formats were discovered during the survey, including metal dog tags, hair samples, blood strips, rifle targets, and plastic ID cards. Eighty percent of the files 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 will be a massive challenge, and getting them relocated into a properly controlled environment is an essential, cost-effective first step.

<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<i>Performance target for percent of cumulative backlog ever treated</i>	–	–	30	32	36	40
Percent of cumulative backlog ever treated	3	25	28	32	35	41
Start-of-year backlog volume of at-risk archival holdings (thousands of cubic feet)	161	156	197	174	188	180
Volume of at-risk archival holdings that received conservation treatment this year (thousands of cubic feet)	5	35	26	11	17	18
Cumulative volume of at-risk archival holdings in cold storage (thousands of cubic feet)	–	–	63	67	74	80
Percent of start-of-year remaining backlog treated this year	3	22	16	7	9	10

*FY 2005 Performance Plan Evaluation* With the recent accessioning of OMPFs into NARA's archival holdings, these records will now be counted in the backlog of at-risk holdings waiting for treatment. The first accession of OMPFs contains more than 19,000 cubic feet of highly at-risk records and will make it difficult to reach our target of 43 percent.

### **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 2004 Resources Available to Meet This Goal:** \$33,182,000; 130 FTE

5.1 RECRUITMENT AND DEVELOPMENT

**FY 2004 Objectives**

- Redesign NARA's existing recruiting strategies and procedures.
- Develop a leadership competency model.
- Implement a management trainee program in at least one program office.
- Maintain 95 percent of staff development plans linked to strategic outcomes.
- Maintain 95 percent of employee performance plans linked to strategic outcomes.

**Results**

- We developed a project plan for redesigning NARA's existing recruiting strategies and procedures.
- We developed a leadership competency model and guide.
- We implemented a management trainee program in four of NARA's records centers.

- ✓ We linked 91 percent of employee performance plans to strategic outcomes.
- ✓ We linked 53 percent of staff development plans to strategic outcomes.

*Discussion* Several new tactics were undertaken this year that will help us prepare our workforce for the challenges ahead. We hired a human capital planning specialist to help us undertake a comprehensive redesign of our existing recruiting strategies and procedures. We engaged all parts of the agency in identifying specific recruitment needs, and we benchmarked top-performing Federal agency recruitment programs as models. We developed a Leadership Competency Model, which identifies the skills, knowledge, and personal characteristics and behavior that NARA leaders need now and in the future. We also developed a Leadership Competency Guide that will assist NARA management in developing high-performing staff for key leadership positions. These tools will be incorporated into one of NARA's largest offices in FY 2005.

We completed a successful first year of a new management trainee program to develop the next generation of records center managers throughout NARA's Records Center Program. The program addresses the critical issues of retention of high-performing employees, succession planning as managers leave, and the lack of formal management development in the records centers. The three-year program for selected interns provides them with training, increasingly complex work assignments in a variety of records center positions, a rotation through other NARA operations, and assignment to special projects. Throughout this program, other NARA professionals closely mentor interns. We rolled out the program to four centers in FY 2004 and will expand to four more in FY 2005.

In 2003, for the first time, nearly all our staff had performance plans (93 percent) and staff development plans (91 percent) linked to NARA's Strategic Plan. While we are annually updating performance plans and linking work to the Strategic Plan, in FY 2004, we had difficulty maintaining the behavior of updating staff development plans on a regular basis. Our performance this year reflects the fact that annual updates of these development plans are not yet a firmly entrenched behavior throughout much of NARA. Still, the process has provided creative opportunities for employee development that did not exist before. While many employees simply enhanced their current assignments through a variety of job-shadowing, cross-training, and classroom training, several employees identified new career opportunities at NARA. Feedback has been positive from employees and supervisors alike.

<b>Performance Data</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Average time (in calendar days) to fill a leadership position	–	–	–	90
<i>Performance target for percent of staff having performance plans that link to strategic outcomes</i>	50	95	95	95
Percent of staff having performance plans that link to strategic outcomes	48	80	93	91
Number of NARA staff having performance plans that link to strategic outcomes	1,434	2,473	2,843	2,781

<i>Performance target for percent of permanent staff having staff development plans that link to strategic outcomes</i>	–	50	95	95
Percent of permanent staff having staff development plans that link to strategic outcomes	–	1	91	53
Number of NARA staff having staff development plans that link to strategic outcomes	–	7	2,400	1,400
Number of NARA permanent staff	2,683	2,708	2,647	2,663

*FY 2005 Performance Plan Evaluation* We are confident that we will meet our FY 2005 targets and expect to begin to see progress toward our long-range target of filling leadership positions in an average of 30 days.

5.2 EQUAL EMPLOYMENT OPPORTUNITY

**FY 2004 Objectives**

- Ensure the percentages of NARA employees in underrepresented groups match 70 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 2003.

**Results**

- We employed people in underrepresented groups that our percentages matched at least 70 percent of the national averages in five out of six underrepresented groups.
- We slightly increased 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 2004.

*Discussion* NARA is committed to achieving a workforce that reflects the rich diversity of our nation, and we are pleased that we have met or exceeded our representation goals for women, blacks, Asian Americans/Pacific Islanders, American Indians/Alaskan natives, and persons with targeted disabilities. However, as we steadily increase our targets for reflecting the availability of underrepresented groups in the Civilian Labor Force, it is increasingly difficult to reach these levels for certain groups.

There is still work to be done, especially with respect to increasing the representation of Latino-Hispanics in NARA’s workforce—an area where NARA continues to fall short. One of the biggest challenges for NARA in the area of Latino-Hispanic recruitment is the extremely small number of Latino-Hispanic archivists available in the United States. Indeed, only 3.5 percent of the 36,000 archivists in the United States are Latino-Hispanic. In addition, the educational “pipeline” for Hispanic archivists is exceedingly small. Of the 128,036 undergraduate degrees in social science and history conferred in 2001 (the latest year for which statistics were available), only 9,000 (7 percent) went to Latino-



Hispanics. Likewise, of the 18,518 master's degrees in library science, social science and history conferred in 2001, only 721 (4 percent) went to Latino-Hispanics.

In response to this challenge and in the context of a larger effort to redesign NARA's existing recruitment strategies, NARA is working to identify targeted sources of highly qualified Latino-Hispanic applicants for NARA positions, to establish ongoing channels of communication with those sources, and to pursue outreach opportunities where possible. Potential sources include colleges and universities with high concentrations of Latino-Hispanic students enrolled in history, archives, and other NARA-related programs and disciplines; Latino-Hispanic representatives of professional history, archival, or other relevant organizations or associations; and Latino-Hispanic executive groups such as the National Association for Hispanic Federal Executives. In addition, NARA is actively exploring partnerships with organizations that can help inform the Latino-Hispanic community about the mission, work, and career benefits of the National Archives, thereby expanding the pipeline of Latino-Hispanics interested in Federal careers in history and archives. Two organizations that NARA has specifically targeted for this purpose are the Hispanic Association of Colleges and Universities and the Hispanic College Fund. Finally, NARA is looking to increase the use of its student employment programs as a mechanism for attracting Hispanic students to temporary positions within NARA. These student programs are an excellent way to introduce students to the work of NARA and to encourage students to pursue future careers in history and archives.

<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Percent of employees who have received diversity training	6	19	27	58	82	68
<i>Performance target for percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups</i>	–	49	64	75	94	98
Percent of applicant pools for positions at grades GS-13 and above that contain people in underrepresented groups	48	63	74	85	97	98
Number of applicants for positions at grades GS-13 and above	–	–	–	1,779	1,177	1,270
Number of applicant pools for positions in grades GS-13 and above	21	24	53	101	85	99
Number of pools for positions in grades GS-13 and above that had self-identified applicants in protected classes	10	15	39	86	83	97
Percent of Civilian Labor Force rate used to determine if underrepresented groups met employment target	–	–	50	60	65	70
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 2005 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 2004 Objectives**

- Deploy eDOCS into *Federal Register* production and enhance the system to promote business efficiencies.
- Accept validated legal documents submitted electronically for publication in the *Federal Register* from three agencies.

**Results**

*"We have found eDOCS to be very beneficial for timely submission, and consistently on target with our deadlines."*

- We successfully launched eDOCS and began using it in a production environment.
- We accepted and processed electronically validated legal documents from three agencies.

*Discussion* On October 1, 2003, we brought a beta version of the Electronic Editing and Publishing System (eDOCS) online into our *Federal Register* publication production operations and received the first valid legal document for publication in the *Federal Register* from the Federal Energy Regulatory Commission (FERC). Not only did we receive that document into eDOCS via e-mail, but we processed the document entirely in electronic form using eDOCS editing tools, tracked the progress of the document through the production cycle, and published the document in the October 6, 2003, issue of the *Federal Register*. Since then, more than 3,000 additional documents from FERC, the Federal Depository Insurance Corporation, and the National Marine Fisheries Service have been managed via eDOCS. Despite being in beta production, and the fact that we continue to operate our legacy processes in parallel with eDOCS during this period of transition, eDOCS handled 9 percent of our total workload this year.

**Performance Data**

	2000	2001	2002	2003	2004
Percent of documents <i>Federal Register</i> manages electronically using eDOCS	—	—	—	—	9
Number of documents NARA manages electronically using eDOCS	—	—	—	—	3,032
Number of documents published in the <i>Federal Register</i>	31,925	32,036	33,055	32,066	32,412
Percent of documents submitted for publication electronically	—	—	—	—	9
Number of documents submitted for publication electronically	—	—	—	—	3,032
Number of public inspection documents available to the public electronically	—	—	—	—	3,032
Number of rulemakings open for comment successfully retrieved at <i>regulations.gov</i> (in thousands)	—	—	—	371	240
Number of official <i>Federal Register</i> documents retrieved online (in millions)	155	163	150	160	208

*FY 2005 Performance Plan Evaluation* We plan to use eDOCS with three more agencies in FY 2005. We must redesign the eDOCS module that will provide for our legally required public inspection of documents, and we need to develop a test system to use for ongoing configuration management. This was identified as necessary during Certification and Accreditation testing. Also, we plan to develop a comprehensive Continuity of Operations Plan for *Federal Register* publication.

#### 5.4 INFORMATION TECHNOLOGY

##### **FY 2004 Objectives**

- ☑ Public network applications are available 96.5 percent of the time.
- ☑ Pilot an enterprise repository for NARA's Enterprise Architecture and associated IT documentation.
- ☑ Implement improved agency-wide disaster recovery processes and mechanisms.

##### **Results**

- ✓ Our public network applications were available 98 percent of the time.
- ✓ We piloted NARA's Enterprise Information Technology Repository with selected users and developed the detailed architecture design specification for the system.
- ✓ We addressed improvements to both agency-level and individual application disaster recovery processes.

*Discussion* Last year we demonstrated a prototype of NARA's Enterprise Information Technology Repository (NEITR), and this year we began the pilot phase with the development of the System Design Specifications to include updates to the System Requirements Specification. NEITR is a system that will provide a single, centralized, authoritative source of all information assets associated with NARA's IT systems. The NEITR repository (or container) will structure and hold all authoritative IT program information and publish that information on NARA's internal web site for staff use.

We are addressing agency-level disaster recovery planning as well as processes for individual application recovery. We are updating our internal NARA processes to include contingency planning requirements, part of the Certification and Accreditation (C&A) process we started last year. The first round of contingency plan testing was completed for most plans this year, and we will repeat those tests annually. We have prioritized systems in order of importance to NARA's mission and business needs and identified those systems for which NARA will need an off-site recovery capability.

**National Archives and Records Administration**  
**Performance and Accountability Report, FY 2004**

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<b>Performance Data</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Percent of public network availability	100.0	99.8	99.9	99.9	99.9	100
<i>Performance target for percent availability of public applications</i>	–	–	–	–	–	96.5
Percent of public network applications availability	–	–	–	–	–	98.7
Number of total hours that any public network application was unavailable	–	–	–	–	–	1,047
Number of network users for public applications (in millions)	–	–	–	–	–	4.4
Cost per network user for public applications	–	–	–	–	–	\$0.29

*FY 2005 Performance Plan Evaluation* We will implement NEITR. We will continue contingency plan testing as planned. We plan to establish a “hot-site” or off-site recovery capability in FY 2005.

## FY 2004 Program Evaluations

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

Government Accountability Office Engagement 310722, *Funding of the 25 OMB-sponsored E-Government Initiatives*, September 21, 2004.

The Government Accountability Office is reviewing the monetary contributions of Federal agencies to each of the e-Government initiatives.

Government Accountability Office Engagement 310709, *E-Government Act of 2002*, May 2004.

GAO is reviewing the implementation status of selected provisions of the E-Government Act of 2002. For NARA, this means Section 207 relating to accessibility, usability, and preservation of Government information. NARA has responded to questions, but no report has yet been issued.

Government Accountability Office Engagement 310703, *Progress of the Quicksilver E-Government Initiatives*, May 2004.

GAO is reviewing progress on the 25 Presidential e-Government initiatives. NARA is the managing partner for the Electronic Records Management E-Government Initiative. GAO delivered testimony to Congress on March 24. No recommendations were made to NARA.

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

Government Accountability Office, GAO-04-927, *Records Management, Planning for the Electronic Records Archives Has Improved*, September 23, 2004.

The Government Accountability Office (GAO) made one recommendation, which will be addressed in FY 2005.

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

Office of Inspector General, OIG Report 04-11, *Audit of NARA's Interagency Agreements*, March 26, 2004.

The Inspector General reviewed NARA's interagency agreements and made two recommendations to the Office of Administrative Services. Both recommendations were completed in FY 2004, and this audit is closed.

Information Security Oversight Office, *Compliance Inspection Report*, May 13, 2004.

The office conducted a compliance inspection of the Ronald Reagan Presidential Library and Museum, Simi Valley, CA. Five recommendations were made, of which two are closed and three are scheduled for completion in FY 2005.

Office of Inspector General, *OIG Report 04-13, Assessment of NARA's Efforts to Comply with New Facility Standards*, May 14, 2004.

The Inspector General conducted an assessment of NARA's efforts to comply with new facility standards for records center facilities and made six recommendations. All six recommendations are scheduled for completion by January 31, 2005.

Government Accountability Office Engagement 130249, *Social Security Numbers in Public Records*, April 2004.

GAO is reviewing precautions agencies take to protect social security numbers in public records. No report has yet been issued.

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

Office of Administrative Services, *Physical Security and Life Safety Review*, December 29, 2003.

The office conducted a review of the Northeast Regional records center facility in Waltham, MA, which serves the Boston area. Four recommendations were made, of which three are closed and one is scheduled for completion in FY 2005.

Office of Administrative Services, *Physical Security and Life Safety Review*, December 29, 2003.

The office conducted a review of the National Personnel Records Center for Military Personnel Records, in St. Louis, MO. Seven recommendations were made, of which three are closed and four are scheduled for completion in FY 2005.

Office of Administrative Services, *Physical Security and Life Safety Review*, December 29, 2003.

The office conducted a review of the National Personnel Records Center for Civilian Personnel Records, in St. Louis, MO. Three recommendations were made, of which two are closed and one is scheduled for completion in FY 2005.

Office of Administrative Services, *Physical Security and Life Safety Review*, August 20, 2004.

The office conducted a review of the Great Lakes Regional Archives and Records Center in Chicago. Three recommendations were made and remain open.

Office of Administrative Services, *Physical Security and Life Safety Review*, September 7, 2004.

The office conducted a review of the Great Lakes Records Center in Dayton. Eleven recommendations were made and remain open.

Office of Administrative Services, *Physical Security and Life Safety Review*, September 28, 2004.

The office conducted a review of the Pacific-Alaska Regional Archives and Records Center in Seattle. Two recommendations were made and remain open.

Office of Administrative Services, *Physical Security and Life Safety Review*, September 28, 2004.

The office conducted a review of the Pacific-Alaska Regional Archives and Records Center in Anchorage. One recommendation was made and remains open.

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

Office of Inspector General, *OIG Report 04-16, Evaluation of NARA's Computer Security Incident Response Capability*, June 22, 2004.

The Inspector General conducted an evaluation of NARA's computer security incident response capability and made six recommendations. Five recommendations were completed in FY 2004, and one recommendation is scheduled for completion in FY 2005.

Office of Inspector General, *OIG Report 04-14, Follow Up of OIG Report #00-02, Review of NARA's Process for Investing in IT Projects*, June 23, 2004.

The Inspector General reviewed NARA's process for investing in IT projects and made two recommendations. Both recommendations are scheduled for completion by December 31, 2004.

Office of Inspector General, *OIG Report 04-10, Assessment of the Controls and Security of NARA Classified Systems*, March 31, 2004.

The Inspector General conducted an assessment of the controls and security of NARA's classified systems and made four recommendations. Three recommendations were completed in FY 2004, and one recommendation is scheduled for completion by December 31, 2004.

Office of Administrative Services, *Information Security Review*, June 24, 2004.

The office conducted a review of the Gerald R. Ford Library in Ann Arbor, MI. Two recommendations were issued. One is closed, and one is scheduled for completion in FY 2005.

Office of Administrative Services, *Information Security Review*, June 24, 2004.

The office conducted a review of the Gerald R. Ford Museum in Grand Rapids, MI. No recommendations were issued for this report.

Office of Administrative Services, *Information Security Review*, June 24, 2004.

The office conducted a review of the Franklin D. Roosevelt Library and Museum in Hyde Park, NY. One recommendation was issued, and it is scheduled for completion in FY 2005.

Office of Administrative Services, *Information Security Review*, August 19, 2004.

The office conducted a review of the Federal Register. Fifteen recommendations were made. The plan to incorporate these recommendations is scheduled for first quarter FY 2005.

Policy and Communications Staff, *NARA Implementation of the Federal Activities Inventory Reform (FAIR) Act*, June 30, 2004.

In compliance with the FAIR Act, NARA compiled information about the activities performed by each office, and submitted it to OMB in the OMB-specified format. The inventory was posted to NARA's public web site in September 2004.

### **Multi-Goal Evaluations**

Office of Inspector General, *OIG Audit Memorandum 04-12, Evaluation of NARA's FY 2003 Management Control Program*, March 2, 2004.

The Inspector General reviewed NARA's FY 2003 Management Control Program. Observations were noted, but no recommendations were made.

Office of Administrative Services, *Program Review*, June 24, 2004.

The office conducted a program review at the Gerald R. Ford Library in Ann Arbor, MI. Two recommendations were issued, and both are scheduled for completion in FY 2005.

Office of Administrative Services, *Program Review*, June 24, 2004.

The office conducted a program review at the Gerald R. Ford Museum in Grand Rapids, MI. No recommendations were issued for this report.

Office of Administrative Services, *Program Review*, June 24, 2004.

The office conducted a program review at the Franklin D. Roosevelt Library and Museum in Hyde Park, NY. One recommendation was issued, and it is scheduled for completion in FY 2005.

For more information about these reports, contact the Policy and Communications Staff on 301-837-1850 or by e-mail at [vision@nara.gov](mailto:vision@nara.gov).



## Status of NARA Records Management Initiatives

On July 31, 2003, we issued NARA's *Strategic Directions for Federal Records Management*. In that document we said that our goals were, in partnership with our stakeholders, to ensure that

- Federal agencies can economically and effectively create and manage records necessary to meet business needs,
- Records are kept long enough to protect rights and assure accountability, and
- Records of archival value are preserved and made available for future generations.

We made significant progress in FY 2004 in carrying out the specific strategies that will help us achieve these goals. The following table provides descriptive information about those strategies and how they are benefiting Federal agencies.

Specific Strategy	Brief description	Benefits to agencies
Appraisal	We documented 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.	<ul style="list-style-type: none"> <li>▪ Policy issued (NARA Directive 1441) October 2003.</li> <li>▪ The policy provides agencies with insight into NARA's guidelines and objectives for determining the archival value of records.</li> <li>▪ We gathered work process data from agencies that develop and maintain research and development (R&amp;D) records to assist us in developing appraisal guidelines for R&amp;D records.</li> </ul>
Custody	NARA's policy addresses the authority and responsibility of the Archivist for physical and legal custody of permanent Federal records.	<ul style="list-style-type: none"> <li>▪ Policy issued (NARA Directive 1501) February 2003.</li> <li>▪ We entered into an MOU with the Government Printing Office (GPO), naming them an affiliated archives for the records in GPO Access, the online GPO file of Federal Government electronic publications.</li> <li>▪ We established an affiliated relationship with the Department of Interior (DOI) to protect DOI Indian Trust records at a state-of-the-art records storage facility operated by NARA in Lenexa, KS. We also will assist DOI in establishing a records management training program for students of Haskell Indian Nations University.</li> <li>▪ We continue to strengthen our relationship with our current (pre-custody policy) affiliated archives by providing advice and guidance on issues involving records management, records storage, security, preservation, description, and public programs.</li> </ul>
Mandatory Destruction	Current statutes require agencies to contact NARA and obtain Archivist's approval in order to extend retention periods beyond the destruction date specified in the schedule. NARA has proposed changes to its legislation that will make this process easier for agencies.	<ul style="list-style-type: none"> <li>▪ This legislation was included with the NARA Efficiency Act, which was signed into law on October 30, 2004. This legislation allows us to issue regulations relating to situations where records need to be retained longer than retention timeframes identified in NARA-approved schedules.</li> </ul>

Specific Strategy	Brief description	Benefits to agencies
Advocacy	We are actively promoting Federal records management through high-level meetings, forums, participation in working groups and more.	<ul style="list-style-type: none"> <li>▪ We developed a model agency Senior Records Manager position description as an agency best practice in the Federal Government.</li> <li>▪ We developed a recommended practices document on internal agency review of proposed retention schedules. This practice encourages agencies to assure that program, legal, and information technology officials at the agency concur with proposed retentions for temporary Federal records.</li> <li>▪ We conducted meetings with the most senior officials at agencies to encourage records management awareness not only in the records management offices but as an integral part of an agencies mission, programs, and operations.</li> </ul>
Training and Certification	We are developing a core nationwide training program in Federal records management. Students participating in the training will have the option to obtain a certificate of completion in Federal records management training. Students electing to receive certification will be required to pass specific tests administered through our training program to ensure proficiency in specific records management related topics.	<ul style="list-style-type: none"> <li>▪ We developed a new training program that incorporates the policies, best practices, and concepts developed throughout the Records Management Initiatives (RMI).</li> <li>▪ We established an interagency agreement with OPM to design and develop a training architecture and create training modules, all course materials, and certification test items.</li> <li>▪ We developed a Training Officer position to lead training initiatives and ensure an integrated program throughout all NARA offices both locally and in the regions.</li> <li>▪ We conducted numerous forums throughout the country covering topics related to electronic records, records management, and risk.</li> <li>▪ We are using tools such as WebEx to broaden the scope of our training program. WebEx allows us to conduct seminars via the Internet. Agencies are able to view and “virtually” participate in the seminar. Agencies can access the audio portion of the seminar via a toll-free teleconference number.</li> </ul>
Records Center Program and Electronic Records Services	The Electronic Records Services Team is developing records center services for agency electronic records.	<ul style="list-style-type: none"> <li>▪ Records center customers have validated proposed electronic records related services.</li> <li>▪ We documented requirements and criteria for electronic records media storage, and we established pilots for demonstrating the basic capability within NARA’s Records Center Program system to receive and store physical media for temporary e-records.</li> </ul>
Flexible Scheduling	This proposed practice allows agencies to schedule temporary records at any level of aggregation that meets their business needs. Flexible scheduling presents the concepts of “big buckets” and retention bands.	<ul style="list-style-type: none"> <li>▪ We are conducting Big Bucket functional schedule pilots internally and with GAO, PTO, NOAA, and NASA.</li> <li>▪ Pilot agencies said these schedules are easier to implement, and the simplified schedule facilitates agencies positioning themselves in preparation for RMA implementation.</li> </ul>

**National Archives and Records Administration  
Performance and Accountability Report, FY 2004**

Specific Strategy	Brief description	Benefits to agencies
General Records Schedules	Fifteen strategies were developed to improve and expand General Records Schedules (GRS). These included developing new GRSs, improving the descriptions, and making the current documents more user-friendly.	<ul style="list-style-type: none"> <li>▪ We developed two new General Records Schedules (Alternative Dispute Resolution and Reasonable Accommodation Requests) to assist agencies in scheduling records. We are in the process of finalizing a GRS for Temporary Boards, Commissions, and Committees and vetting a GRS for CIO offices.</li> </ul>
Guidance and Regulations	We issued an advanced notice of proposed rulemaking (ANPRM) to solicit agency and public input on our proposed regulation redesign.	<ul style="list-style-type: none"> <li>▪ We restructured our framework based on input from the public. We are developing an implementation plan to reorganize our current regulations into the new framework and add and modify regulations as appropriate.</li> </ul>
Inspections and Studies (Monitoring)	We plan to conduct inspections when an agency, or a series of agencies in a specific line of business, refuse to address high-level records management risks or specific problems identified through NARA's risk-based resource allocation model or other means such as Government reports or the media. We will undertake records management studies when we believe an agency or a series of agencies in a specific line of business are utilizing records management practices that could benefit the rest of a specific line of business or the Federal Government as a whole.	<ul style="list-style-type: none"> <li>▪ We documented our high-level goals and completed identifying internal NARA criteria for determining when to undertake an inspection. We developed and documented procedures for conducting inspections. We will implement these procedures in FY 2005.</li> <li>▪ We developed internal NARA criteria for determining when to undertake a study.</li> </ul>
Pre-Accessioning Study	We developed a proposal to explore the practicality and costs/benefits of accepting physical custody of permanent electronic records prior to their legal transfer and conducting some level of processing on them (pre-accessioning).	<ul style="list-style-type: none"> <li>▪ We conducted a successful pilot with GPO in transferring some of their electronic records. We will pursue this practice on a case-by-case basis.</li> <li>▪ We issued NARA Bulletin 2004-02 on July 12, 2004, which describes the process and the criteria for determining when pre-accessioning is appropriate.</li> </ul>
Resource Allocation (Focusing Resources)	We want to target our resources on agencies or parts of agencies that have the greatest quantity and concentration of records that a) document the core functions of government, b) ensure government accountability, the protection of rights, and the national experience, and c) are perceived to be "at risk."	<ul style="list-style-type: none"> <li>▪ We developed a set of criteria, procedures, and a handbook for identifying the functional areas within the Government that contain the greatest records management challenges.</li> <li>▪ We analyzed various business lines and sub-functions across the Federal Government to prioritize and allocate FY 2005 resources.</li> </ul>
Targeted Assistance	We formed partnerships with agencies to solve specific records management problems.	<ul style="list-style-type: none"> <li>▪ We provided free assistance to agencies to identify and correct existing problems in their records management programs. Most of the targeted assistance we provide in FY 2005 will be directed to high-risk agencies or business lines identified through our resource allocation project.</li> </ul>
Reporting	We will report to Congress and OMB regarding problems and recommended practices discovered as part of targeted assistance projects and inspections and studies that we carry out.	<ul style="list-style-type: none"> <li>▪ The NARA Annual Performance Reports for 2002 and 2003 reported to Congress on agency records management progress.</li> <li>▪ We developed criteria for establishing reports for future submission to OMB and Congress. The reports will serve to document problems and highlight agency successes and progress in their records management programs.</li> </ul>

## 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 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 will begin to use our Resource Allocation methodology and the OMB Business Reference Model (BRM) to target our assistance to Federal agencies and to develop reports on records management activities. As a first step we have identified business processes, sub-functions, and agency activities, based on the OMB BRM, that are the most significant to protect legal rights, document government accountability, and preserve records that document the national experience. We will target our records management assistance to Federal agencies based on this work. In our FY 2005 report we will detail our activities and results.

For FY 2004, we are reporting on three of the Federal programs that have shown significant progress in establishing or expanding control over their management of business information in a way that has produced tangible results for the Government and citizens. NARA partnered with the agencies in these activities, often through targeted assistance.

### ***NOAA / National Marine Fisheries***

The three-year-old program has been able to make records management an integrated component in their agency program through one-on-one training with new employees, classroom training and briefings, and by making records management a component of performance evaluation criteria. The small staff (3.5 FTE) work with 22 liaisons in 9 regional and 13 field offices in the Alaska Region. They have raised the awareness of records management throughout their region, created and operate an efficient and complete paper file center, and are designing and implementing an electronic records management document scanning, indexing, search, and retrieval system.

### ***Treasury / Office of Foreign Assets Control***

OFAC administers and enforces government economic sanctions and embargo programs against targeted foreign governments and groups that pose threats to the national security, foreign policy, or economy of the United States. It has completely turned around a non-existent records management program to one that is a model for the Department and the Government in less than three years. The program deserves recognition for overall program accomplishment, including a mandatory training program, completion of an approved comprehensive records schedule, and the outstanding commitment of senior management to make records management a priority.

### ***U.S. Army***

Since 1998, the Army Records Management Division (ARMD) has aggressively pursued its goal to simplify records management for army personnel wherever they may be, from the soldier in the field to the records management liaison. The result is the Army Records

Information Management System (ARIMS), a comprehensive program of policy, procedures, and tools to support records management. ARIMS is a restructured recordkeeping program that places more focus on long-term records and allows local units more direct control over short-term records. In addition, ARMD is part of the Army regulation process, so that records management requirements are established with the development of each regulation. In effect, this results in records management requirements that have already been vetted with program stakeholders.

## Performance Assessment Rating Tool (PART) Summary

### Records Services Program

As part of the FY 2005 budget, 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 current status of our progress in implementing the recommendations, as well as FY 2004 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 will be 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 will monitor trends and determine where targets are appropriate.	
2. Produce audited financial statements.	Funding is included in the FY 2005 budget request to produce NARA's audited financial statements and NARA's Performance and Accountability Report for the first time in FY 2004. To meet the timeline for producing a first report, staff had to be added in FY 2004.	Completed for the first time with the submission of this report to OMB and Congress.	
Selected PART Measures	Year	Target	Actual
Annual cost of archival storage space per cubic feet of traditional holdings	2004	No annual target	\$6.16
By 2005, 95 percent of requests for military service separation records are answered within 10 working days	2004	70	75
By 2009, 100 percent of NARA's archival holdings are in appropriate space	2004	No annual target	52% traditional holdings, 100% electronic holdings, 42% artifact holdings
By 2009, 100 percent of NARA records centers comply with the October 2009 regulatory storage standards	2004	No annual target	Data will be available in FY 2005

## Definitions

The following provides definitions for many of the terms and concepts used in this performance report.

<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 components (RMSC)	An application or system software that incorporates interfaces for interacting with other programs and that is made available to all Federal agencies for use in their enterprise architecture. The RMSC would 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 how much use our web site is getting than counting hits.
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>
NAIL	NARA Archival Information Locator, prototype for ARC.
ARC	Archival Research Catalog, NARA-wide online catalog.
User Hits	User hits are 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 will be available for ARC in 2004.
Traditional holdings	Traditional holdings are books, papers, maps, photographs, motion pictures, sound and video recordings, and other documentary material that is not stored on electronic media.
Artifact holdings	Three-dimensional objects made, modified, or used by humans.
Electronic holdings	Electronic holdings are records on electronic storage media.
Inventory	An inventory is 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 requesting the retrieval of agency records. Excludes personnel information requests at the National Personnel Records Center.
Classified document review	A review by ISOO of an Executive branch agency to identify inconsistencies in the application of classification and marking requirements of Executive Order 12958. The results of the review along with any appropriate recommendations for improvement are reported to the agency senior official for the program or the agency head.



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. 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 to the agency senior official or agency head.
Equity-holding agency	An equity-holding agency is a Federal agency that may have classified information in a document, whether or not it created the document. Without declassification guidelines, only the equity-holding agency can declassify information in the document.

<b>Goal 4</b>	<b>Space and Preservation</b>
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Appropriate space	Appropriate space is storage area that meets physical and environmental standards for the type of materials stored there.
At-risk	Records that have a media base near or at the point of deterioration to such an extent that the image or information in the physical media of the record is being or soon will be lost or records that are stored on media accessible only through obsolete technology.

<b>Goal 5</b>	<b>Infrastructure</b>
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Staff development plan	An individualized plan to enhance employees' knowledge, skills, and abilities and to improve performance in their current jobs or of duties outside their current jobs in response to organizational needs and human resource plans.
Applicant	An applicant is anyone who has applied for a specific position.
Underrepresented groups	Underrepresented groups are groups of people tracked by the U.S. Equal Employment Opportunity Commission: Minority groups (Black, Latino-Hispanic, Asian/Pacific Islander, and American Indian/Alaskan Native); Women; People with Disabilities.
NARANET	NARANET is a collection of local area networks installed in 34 NARA facilities that are connected to a wide area network at Archives II, using frame relay telecommunications, and then to the Internet. NARANET includes personal computers with a standardized suite of software. NARANET was designed to be modular and scalable using standard hardware and software components.



## 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 2004.

This is the first year that NARA has been required to issue audited financial statements in accordance with the Chief Financial Officer's Act of 1990, as mandated by the Accountability of Tax Dollars Act of 2002. To meet this challenge NARA has had to redefine its work processes and develop a framework for preparing auditable financial statements in conformity with Office of Management and Budget (OMB) and other applicable guidance. The process of pulling together financial records to prepare the audited financial statements has already resulted in improvements in financial management processes and internal controls. The longer term goal is to further develop and institutionalize these improvements.

To meet the new stringent reporting requirements, NARA took action to contract with a new accounting service provider. Deficiencies of the current provider's financial system became a major obstacle to obtaining timely, accurate financial information. It is anticipated that this decision will result in significant improvements to NARA's accounting processes, financial reporting, and internal controls. The conversion process will begin in fiscal year 2005, with implementation planned for the start of fiscal year 2006.

Despite the implied promise of significant improvement resulting from this major change, further challenges remain as NARA works to implement the new financial system, improve financial management processes and internal controls, and, ultimately, address the spirit of the President's Management Agenda. This will be a longer-term process, if the experience of the agencies initially subject to the Chief Financial Officer's Act can be used as a measure. Nevertheless, NARA has made a good start.

A handwritten signature in black ink that reads "Adrienne C. Thomas".

Adrienne C. Thomas  
Assistant Archivist for Administrative Services  
Chief Financial Officer

## Auditor's Reports

### *Inspector General's Summary*

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION  
ANNUAL FINANCIAL STATEMENT  
FISCAL YEAR 2004

OFFICE OF THE INSPECTOR GENERAL  
COMMENTARY AND SUMMARY

This report presents the results of the audit of the National Archives and Records Administration's (NARA) financial statements as of September 30, 2004 and for the year then ended. We contracted with the independent certified public accounting firm of Clifton Gunderson, LLP (CG) to perform the audit. The contract required the audit be done in accordance with U.S. generally accepted auditing standards and OMB's bulletin, *Audit Requirements for Federal Financial Statements*, and GAO/PCIE *Financial Audit Manual*.

In its audit of the NARA's financial statements, CG issued a qualified opinion. CG was unable to apply adequate audit procedures on property, plant and equipment (PPE), recoveries of prior year obligations, direct obligation incurred and undelivered orders.

In the Report on Internal Controls, CG reported four material weaknesses<sup>1</sup> in the following areas, financial reporting, PPE, investments in non-Federal securities, and information technology. CG also reported three reportable conditions<sup>2</sup> in the following areas, payroll, cost allocation methodology and Federal Managers' Financial Integrity Act Compliance and Reporting.

In the Compliance with Laws and Regulations report, CG reported NARA's financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996 (FFMIA) requirements, applicable Federal accounting standards and the United States Standard General Ledger at the transaction level.

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 on whether NARA's financial management system substantially complied with FFMIA; or conclusions with laws and regulations. CG is responsible for the attached auditor's report dated November 1, 2004 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> A material weakness is a condition in which the design or operations 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

To the Inspector General of the  
National Archives and Records Administration

We have audited the consolidated balance sheet of National Archives and Records Administration (NARA) as of September 30, 2004, and the related consolidated statements of net cost, changes in net position, financing, and combined statement of budgetary resources for the year then ended (collectively 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 audit.

Except as discussed in the following paragraphs, 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. 01-02, *Audit Requirements for Federal Financial Statements*, as amended. 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 principal statements' presentation. We believe our audit provides a reasonable basis for our opinion.

NARA uses an accounting service provider that converted to a new general ledger system in fiscal year 2003. The new general ledger system setup and posting model definitions do not fully comply with the transactions posting models consistent with the United States Standard General Ledger guidance and policies when recording and classifying obligations related accounts. Due to time constraints, NARA was not able to complete the review of all budgetary accounts impacted by the system deficiency and we were not able to apply adequate auditing procedures to satisfy ourselves with the recoveries of prior year obligations, direct obligations incurred, and undelivered orders in the combined statement of budgetary resources and consolidated statement of financing.

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NARA did not always account for its property, plant and equipment (PPE) in accordance with generally accepted accounting principles. Capitalizable acquisitions were expensed during the year and in the past. NARA expended significant resources to reclassify past capitalizable expenses into assets for financial statement reporting purposes. However, we were not able to apply adequate auditing procedures due to inadequate supporting documentation to approximately \$53 million of PPE related to internal-use software, software in development, and equipment included in the consolidated balance sheet.

In our opinion, except for the effects of such adjustments, if any, as might have been necessary had we been able to perform adequate audit procedures on property, plant and equipment, recoveries of prior year obligations, direct obligations incurred, and undelivered orders referred to in the two preceding paragraphs, the 2004 financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2004, and its net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary obligations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 1, 2004 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. 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 audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Discussion and Analysis, Required Supplementary Information (RSI), and Required Supplementary Stewardship Information are not a required part of the basic financial statements, but are supplementary information required by OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures to such information, which consisted principally of inquiries of NARA management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The deferred maintenance on page 148 is required supplementary information. We have applied certain limited procedures prescribed by professional standards that raised doubts that we were unable to resolve regarding whether material modifications should be made to the information for it to conform with guidelines established by generally accepted accounting principles in the United States of America.

The deferred maintenance reported in the required supplementary information was based on budget requests resulting from the facility manager's judgment of the repairs and maintenance needs. The budget requests received were prioritized and scheduled based on funding

availability. Those that were prioritized and scheduled but for which funding was not sufficient, were determined to be deferred maintenance for fiscal year 2004. However, budget requests received, but not prioritized, nor scheduled, were not included in the determination of the amount of deferred maintenance reported on the RSI.

*Clifton Gundersen LLP*

Calverton, Maryland  
November 1, 2004

## 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, 2004, and have issued our report dated November 1, 2004. In our report, our opinion was qualified for the effects of adjustments, if any, as might have been necessary had we been able to perform adequate audit procedures on property, plant and equipment, recoveries of prior year obligations, direct obligations incurred, and undeliverable orders. Except as described above, 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. 01-02, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered NARA's internal control over financial reporting by obtaining an understanding of NARA's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed 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. 01-02. 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.



Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted certain matters discussed in the following paragraphs involving the internal control and its operation that we consider to be reportable conditions and material weaknesses.

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. 01-02 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, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02, as amended. 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.

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## **MATERIAL WEAKNESSES**

### **I. Financial Reporting**

The Accountability of Tax Dollars Act of 2002 extends to NARA a requirement to prepare and submit to the Congress and the Director of the OMB audited financial statements. Fiscal year 2004 is the first year NARA is preparing and submitting audited financial statements.

NARA has attained a major achievement by having its first set of financial statements audited and submitted by the November 15, 2004 OMB deadline. NARA, however, had to expend a tremendous amount of effort to "cleanup" its accounting records in order to prepare auditable financial statements at September 30, 2004.

The weaknesses identified below collectively resulted in a material weakness in NARA's financial reporting process.

#### **A. Financial Statement Preparation**

NARA prepared its first complete set of consolidated financial statements (FSs) for June 30, 2004. Due to the limitations of the general ledger (GL) system, NARA hired consultants to design a spreadsheet-based system to automate the financial statement compilation process. The data for the financial statements is gathered and analyzed in these elaborate, complex, and manually intensive spreadsheets.

Although NARA applied certain review process on the financial statements generated by these spreadsheets, the review could only be made on selected accounts or limited basis due to the timing constraints especially in an accelerated reporting timeline. Since the trial balances generated from the GL system and downloaded into the spreadsheets were not periodically and timely reviewed, reconciled, recorded, and analyzed during the year, limited review is not adequate. See more detailed explanation on section I.B.

Moreover, there are inherent risks and limitations associated with spreadsheet-based applications such as the following that would require additional effort and resources to ensure that these risks and limitations are compensated for.

- Substantial manual intervention,
- Formulas can be changed easily, affecting the flow through the rest of spreadsheets;
- Difficulty in tracking changes made to the spreadsheets, including formula changes;
- Difficulty in verifying change controls and that correct changes were made;
- Need for periodic updates to core spreadsheet elements for changes such as changes to the United States Standard General Ledger (USSGL) and/or to the USSGL crosswalks.

Although NARA prepared interim financial statements at June 30, 2004, the interim statements reflected deficiencies in certain balances such as:

- Software in development was not reported in the interim financial statements because NARA was still compiling the data;
- Intra-entity elimination entries were not made;
- Accounts receivable were not established for services rendered; and
- Certain liabilities were not accrued.

In addition, “catch up” journal vouchers and significant past activities detected during this “clean up” process were recorded for the first time as “on-top” financial statement adjustments.

Moreover, OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*, states that preparation of the annual financial statements is the responsibility of the agency’s management. In carrying out this responsibility, each agency chief financial officer (CFO) should prepare a policy bulletin or guidance memorandum that guides the agency’s fiscal and management personnel in the preparation of the annual financial statements. NARA does not have a comprehensive policy bulletin or guidance memorandum to this effect.

## **B. Timely Recording, Reconciliation and Analysis**

A major objective of internal control is to ensure the integrity of the underlying accounting data supporting the financial statements. An important control in this regard is the reconciliation of accounting records. An adequate reconciliation provides the assurance that processed transactions are properly and timely recorded in the accounting records and financial statements, which then allows management the ability to analyze its financial condition and results of operations on a routine basis.

Although NARA uses an accounting service provider (service provider) that performs the accounting, reconciling and reporting of NARA's financial information, NARA has the ultimate responsibility for ensuring the timely recording, reconciliation, analysis, and review of its financial data.

Many account reconciliations, such as budgetary accounts, intra-governmental activities, and general property and equipment, were either not performed during the year, were not consistently or periodically performed, or were only performed in preparation for the audit. One example of reconciliation weaknesses relates to the reconciliation of the statement of differences received from Treasury as part of fund balance with treasury verification. The reconciliations performed by the service provider were inadequate for NARA's purposes because they were performed at the service provider's accounting location code level, which included transactions of the service provider and all of its customers. NARA could not identify nor review the reconciling items reported on the reconciliation. Moreover, a generic explanation of timing differences was provided as the reason for all the reconciling items. Also, we noted long outstanding reconciling items being carried over each month.

Not recording or delays in recording transactions make data on the interim financial statements unreliable and unusable by management for decision-making purposes. *GAO Standards for Internal Control in the Federal Government* states that "Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions."

## **C. General Ledger System Setup and Posting Model Definitions**

The general ledger (GL) system setup and posting model definitions do not fully comply with the transactions posting models consistent with the United States Standard General Ledger (USSGL) guidance and policies when recording and classifying obligations related accounts.

NARA's service provider converted to a new system in fiscal year 2003. The conversion resulted in the system not posting certain accounts, specifically obligations related accounts, from the general ledger to the subsidiary ledger or vice-versa correctly. In addition, the GL system is not properly closing cancelled funds, which remained in the trial balance.

Moreover, Joint Financial Management Improvement Program (JFMIP) *Core Financial System Requirements* requires that a “Federal vs. Non-Federal indicator for FACTS reporting” be maintained for vendor information in the financial system to support obligation, accounts payable, and disbursement [and collection] processes. Due to deficiencies in the GL system configuration, conversion, and problems with the vendors’ files, NARA manually identified federal or non-federal activities for financial statements presentation. However, NARA did not maintain adequate references and audit trails for the manual identification made. Furthermore, there was no supervisory review of the manual identification process.

#### **D. Integrated Financial Management System**

A single, integrated financial management system is a unified set of financial systems linked together electronically in an efficient and effective manner to provide agency-wide financial system support. Integration means that the user is able to have one view into systems such that, at whatever level the individual is using the system, he or she can obtain needed information efficiently and effectively through electronic means. It does not necessarily mean having only one software application covering all financial management system needs within an agency. Interfaces are acceptable as long as the supporting details are maintained and are accessible to managers. Interface linkages must be electronic unless the number of transactions is so small that it is not cost beneficial to automate the interface. Easy reconciliation between systems, where interface linkages are appropriate, must be maintained to ensure data accuracy.

NARA does not have an integrated financial management system. Significant financial management systems such as the billings and related sub-systems, the cost system, the property management system and the financial reporting system are not interfaced with the GL system.

#### ***Recommendations:***

1. Ensure that adequate controls such as protecting cells on spreadsheets, limiting access to spreadsheets to prevent inadvertent changes, and control of the changes made to the spreadsheets are implemented while a spreadsheet-based system is used in gathering and analyzing financial statements data.
2. Establish written policies and procedures to formalize plans, methods and procedures to guide the financial statement preparation and reporting process.
3. Prepare and analyze monthly reconciliations of subsidiary and summary account balances and external reports. Consider a “formal closing” of all accounts at an interim date(s), which will reduce the level of accounting activity and analysis required at year-end. This “formal closing” entails ensuring that all transactions are recorded in the proper period through the month-end.

4. Ensure that upgrades to the financial management systems comply with the posting model definitions in the USSGL.
5. Develop standard procedures to identify federal and non-federal transactions if the GL system does not have this capability. Also, correcting the vendor files may enable NARA to automate this process. Lastly, if NARA continues to perform the identification manually, an adequate audit trail needs to be maintained and a supervisory review will need to be performed.
6. 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.

## **II. Property, Plant and Equipment (PPE)**

### **A. Accounting for PPE**

NARA did not always account for its property, plant and equipment in accordance with generally accepted accounting principles. Capital acquisitions such as building and software were expensed instead of capitalized.

To prepare for the financial statement audit, NARA expended a significant amount of resources reviewing current and prior years' expenses and relied on the physical inventory performed. This process was made more difficult for the following reasons:

- The property management system did not have a record of all capitalized assets;
- There was inadequate supporting documentation;
- The costs of assets such as internally developed software were not properly or adequately tracked;
- Construction in progress was not completely accounted for in accordance with GAAP; and
- There was a lack of reconciliation between the property management system and the general ledger.

As already noted, the property management system was not integrated with the GL system.

One of the five standards for internal controls in *GAO Standards for Internal Control in the Federal Government* is control activities. Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records, which provide evidence of execution of these activities as well as appropriate documentation.

## **B. Deferred Maintenance**

NARA's heritage assets include the Archives buildings and the Presidential Libraries. Standards for Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant and Equipment*, states, "amounts reported for deferred maintenance may be measured using the condition assessment surveys or the life-cycle forecasts." The Building Condition Report (BCR) is a type of condition assessment survey used by NARA to assess building conditions. However, NARA is not required to periodically schedule BCRs. There were two buildings that did not have a BCR and the rest of the buildings' BCRs were dated from 1997 to 2001, excluding those buildings with recent major renovations. Furthermore, the deferred maintenance reported in the required supplementary information (RSI) at September 30, 2004 was based on budget requests resulting from the facility managers' judgment of the repairs and maintenance needs. The budget requests received were prioritized and scheduled based on funding availability. Those that were prioritized and scheduled but for which funding was not sufficient were determined to be deferred maintenance for fiscal year 2004. However, budget requests received but were not prioritized nor scheduled were not included in the determination of the amount of deferred maintenance reported on the RSI.

### ***Recommendations:***

7. Continue to identify assets that need to be capitalized rather than expensed.
8. Develop standard report formats for all project managers of software development projects and construction projects that track monthly payments, monitor progress and report completion.
9. Ensure adequate supporting documentation is maintained for acquisitions and dispositions.
10. Develop and implement monthly reconciliation procedures for all assets including heritage assets.
11. Record all assets in the property management system.

## **III. Investment in Non-Federal Securities**

NARA had two types of investments in non-federal securities. The trust and gift funds' investments were determined to be investments that were bought and held principally for the purpose of sale, based on our review of the activities and maturities of the securities. The appropriated fund's investments were determined to be investments held-to-maturity.

Statement of Financial Accounting Standards (SFAS) No. 115 states that:

- a) Debt and equity securities that the enterprise has positive intent and ability to hold to maturity security are to be reported at amortized cost (net of premium or discount).
- b) Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair market value, with the unrealized gains and losses included in the earning [revenue].

NARA did not record its investments in accordance with SFAS No. 115. The trust and gift funds' investments were not recorded at fair market value and the appropriated fund's investments were not recorded net of amortization.

In addition, *Federal Trust Fund Accounting Guide*, Section IV, Trust Fund Investments, issued by the Department of the Treasury states that "Investments in non-Federal securities are treated as a purchase of an asset, rather than as an exchange of an asset. An obligation and an outlay must be recorded for the purchase." NARA does not record the budgetary entries (obligation and outlay) related to investment in non-Federal securities. We could not determine the impact of not-recording these transactions to the statement of budgetary resources because NARA has not provided the information.

***Recommendations:***

- 12. Record investments that are held to maturity at amortized costs and investments that are for sale at fair market value.
- 13. Record the budgetary entry related to the purchase of investments in non-Federal securities.

**IV. Information Technology (IT)**

The reportable conditions below, when evaluated together, make the lack of effective controls in the IT area a material weakness.

**A. Software Development and Change Controls**

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.

Modifications and maintenance changes to NARANet do not conform to NARA's *Systems Develop Life Cycle Handbook and Guide* and the NARA-Wide Configuration Management Template. Weaknesses that currently exist in NARA's controls over system modifications include the following:

- The "Project/Task Validation and Approval" forms used to track system modifications and maintenance changes were incomplete for 212 of the 251 change requests made during fiscal year 2004. Furthermore, proper approvals were not obtained prior to the movement of NARANet changes into the production environment; and
- 29 of the 39 changes to NARANet in fiscal year 2004 did not follow NARA's required "Rollout Processes and Procedures", prior to movement to production.

***Recommendations:***

14. Implement controls to ensure that the "Project/Task Validation and Approval" is completed for modifications and maintenance changes according to the NARA-Wide Configuration Management Template.
15. Obtain proper approvals before moving NARANet into the production environment.
16. Follow required NARANet rollout processes and procedures prior to movement to production.

**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.

GAO's 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 much remains to be done. During fiscal year 2002, the NARA Information Systems Security Officer documented and disseminated the NARA Directive 804, *IT Security Handbook*, and the NARA Directive 805, *Systems Development Life Cycle Handbook and Guide*, as well as templates to assist NARA departments with developing system security plans and the tracking system and application maintenance and changes. However, we noted weaknesses in the implementation of the program and instances of noncompliance with *IT Security Handbook*, *Systems Development Lifecycle*, and 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 the NARA's information security program include the following:

- NARA has not initiated the C&A process for those major applications that have been outsourced to various service providers;
- NARA has not formally defined, communicated, and documented data ownership responsibilities and procedures for all major business and general support systems, including its financial data hosted at a service provider;
- NARA does not have a consolidated Plan of Actions and Milestones (POA&M) to capture all findings from internal and external audit reports. However, NARA has a system for tracking POA&Ms and a separate system for tracking internal and external audit reports; and
- NARA has not documented and signed a System Interconnection Agreement with the service provider for its financial systems.

***Recommendations:***

17. Conduct certification evaluations on all IT resources owned or operated on behalf of NARA, in accordance with NARA policy, including externally hosted applications.
18. Formally define, communicate, and document data ownership responsibilities and procedures for all major business and general support systems, including its financial data hosted at service provider.
19. Revise POA&M process to comply with OMB guidance, including the incorporation of all IT findings from all sources.
20. Develop inter-connection security agreements with all external vendors (including Federal agencies) hosting financial systems utilized by NARA.

**C. Controls to Protect Its Information**

For a computerized organization like NARA, achieving an adequate level of information protection is highly dependent upon maintaining consistently effective

access controls and system software controls. 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. Such controls include logical/technical controls, for example, security software programs designed to prevent or detect unauthorized access to sensitive data. Similarly, 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.

Our limited internal controls testing identified information protection-related weaknesses in NARA's information systems environment. Impacted areas included NARA's distributed computer system as well as its midrange computer systems. These vulnerabilities expose NARA and its computer systems to risks of external and internal 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.

NARA has not assessed the risk of inadequate protection for its sensitive and mission critical files. No written criteria has been established to guide security personnel in monitoring and restricting access to production data and program files.

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

- New NARANet users were not automatically forced to change passwords upon initial logon, and were provided the same password;
- The NARANet user account listing contained several generic accounts, not associated with specific users. Furthermore, several NARANet accounts are dormant and have not been accessed for over one year;
- Management has not enforced Directive 804, which requires the re-certification of users. In addition, NARA has not complied with its standard operating procedures, which require the disabling of NARANet user accounts after 24 hours of the user's separation and deletion after 10 days of the disabling;
- NARA uses an improper network-addressing schema (interchanging internal and external IP addresses) that can negatively impact network efficiency, effectiveness and network security;
- NARA does not have an up-to-date comprehensive network architecture diagram (topology), hindering efforts to define and secure the perimeter of NARA's network;
- Keyed access to the computer room, accompanied by the lack of a closed circuit television monitor (CCTV) inhibits the ability to effectively monitor access to sensitive NARA computer equipment and data;
- An excessive number (219) of individuals have access to the computer room; many who do not need access to perform their daily job responsibilities;

- A number of high vulnerabilities were identified in vulnerability assessments of NARANet. These vulnerabilities weaken the overall effectiveness of the NARA information assurance program. Overall, the findings point to inconsistent procedures or ineffective enforcement of NARA policies regarding the installation, configuration control, and maintenance of Internet connected servers at NARA. A detailed report on these vulnerabilities was provided to NARA under separate cover; and
- Several individuals were identified with CHRIS application access permissions beyond what is required to perform their position responsibilities, and in some cases, this represents a "segregation of duties" issue.

***Recommendations:***

21. Review password configurations on all servers used for network authentication and ensure that temporary passwords cannot be used more than once, and only issue unique temporary passwords to users. Ensure that NARA has implemented specifications for password usage established by NIST in Federal Information Processing Standards Publication 112, PASSWORD USAGE.
22. Review all NARANet user accounts to identify all inactive or unused accounts and remove as necessary. This procedure should also be incorporated within the user re-certification process. Also, all active NARANet user accounts should be supported by documented approved access requests.
23. Enforce Directive 804 and ensure that users are re-certified. In addition, NARA should comply with its standard operating procedures, and ensure that NARANet user accounts are disabled after 24 hours of the user's separation and are deleted after 10 days of the disabling.
24. Utilize network address translation (NAT) to hide all internal IP addresses and to filter traffic entering NARA's internal network for improved security. Written justifications should be provided for the exclusion of those machines from the requirement of NAT. Ensure all internal IP addresses pass through internal DNS servers.
25. Update the NARA network topology to include all external connections and network devices. Ensure that all access points are securely configured to prevent unauthorized network access.
26. Install cameras outside of the computer room to monitor access to and from all entry points. Security guards should investigate all unusual access activity. The use of a key to override badge reader access should result in alarms at the guard station and be immediately investigated.
27. Review all individuals with access to the computer room, determine if access is needed to perform their job responsibilities, and remove any unnecessary access.

Also, management should develop policies and procedures to re-certify access granted.

28. Establish and enforce policies and procedures regarding server configuration, operation and maintenance. Develop and compare server baseline configurations (for each operating system platform). These policies and procedures allow administrators to have a strict set of requirements to follow in place no matter who administers the servers. NARA Internet connected server's systems logs should be reviewed to determine if unauthorized access has occurred as a result of the weaknesses in the server configurations.
29. On a regular basis, as part of the user re-certification process, management should review all CHRIS users to ensure that they still require access to CHRIS, their permissions are reasonable based upon their position responsibilities, and potentially conflicting roles within other applications (i.e. ETAMS) are removed.

#### **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.

Our review of NARA 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:

- NARA has not formally identified and prioritized all critical data and operations on its major applications and the resources needed to recover them if there is a major interruption or disaster. In addition, we could not determine whether NARA had established emergency processing priorities that will help manage disaster situations more effectively for the network;
- The scope of NARA's disaster recovery plan (DRP) is limited to addressing emergencies at the Archives II location as the national IT operations center. This DRP does not address disasters at other NARA locations;

- NARA does not have a comprehensive disaster recovery plan to incorporate its major applications and general support system. NARA has not completed the testing of its business continuity/disaster recovery plan to provide assurance that it can recover its major applications and general support systems in the event of a disaster or business disruption. Toward the end of fiscal year 2004, NARA began testing its business continuity plan for various applications and general support systems; however, NARA still cannot determine at this time whether its DRP will work as intended;
- The memorandum of understanding (MOU) between NARA and its service provider does not reference disaster recovery procedures that will be followed to re-establish connectivity between the service provider and NARA when Pegasys is in disaster recovery mode, NARA is in disaster recovery mode, or both NARA and Pegasys are in disaster recovery mode. This condition was noted in the “FY 2003 National Archives Trust and Gift Fund Internal Controls Report”; and
- A wet pipe sprinkler system remains in place in the computer room. This system exposes NARA’s data center to serious water damage. Although NARA has had discussions about using alternative means of fire suppression, due to cost considerations, alternatives were not adopted.

***Recommendations:***

30. Formally identify and prioritize all critical data and operations on its major applications and the resources needed to recover them if there is a major interruption or disaster. Ensure that emergency processing priorities are established to assist in managing disaster situations more effectively for the network. In addition, establish emergency processing priorities that will help manage disaster situations more effectively for the network.
31. Address the disaster recovery plan at other NARA locations.
32. Conduct regular disaster recovery testing of all major applications and general support systems (including interconnectivity with external service providers) that consider varying scenario types. Develop a *lessons learned* document from each test with corrective actions to prevent a re-occurrence in future tests.
33. The MOU should be revised to incorporate measures to be taken by NARA and the service provider to recover any lost connectivity between the two entities.
34. Replace the "wet pipe" sprinkler system with a "dry pipe" sprinkler or single-interlock pre-action sprinkler system that does not store liquids directly above computer equipment.

## REPORTABLE CONDITIONS

### V. Payroll

We identified the following weaknesses related to payroll:

- Leave and/or credit hour balances reported on many of the time & attendance (T&A) reports did not agree on with the Leave & Earnings Statement (LES);
- Supervisors did not consistently sign and date the “Supervisor Time and Attendance Certification Report”, evidencing a review of the report;
- Credit time earned or used was not recorded in the Electronic Time and Attendance Management System (ETAMS); and
- Time and Attendance Logs did not consistently have the signature or initial of the employee and/or the supervisor to evidence verification of recorded hours.

*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:***

35. Perform a monthly reconciliation of leave balances reported on the T&A report and the LES.
36. Enforce the policy of signing and dating the Supervisor Time and Attendance Certification Report.
37. Record credit time earned on ETAMS.
38. Enforce the policy of signing or initialing of the time and attendance log by the employee and the supervisor.

### VI. Cost Allocation Methodology

NARA does not have formal policies and procedures for program cost allocation methodology for the Statement of Net Cost (SNC). As of September 30, 2004, certain indirect costs were not allocated to the programs (except for the revolving fund) on the SNC. Although there was a policy relating to the revolving fund semi-automated allocation process, the policy expired on September 30, 2000. In addition, the “allocation rates” in the policy, which were developed for fiscal year 2000, were the same rates used in fiscal year 2004. There was no formal documentation of the analysis made to ensure that allocation rates were still appropriate for fiscal year 2004.

A control activity in the *GAO Standards for Internal Control in the Federal Government* is appropriate documentation of transactions and internal control. Internal control, and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals. All documentation and records should be properly managed and maintained.

***Recommendations:***

39. Establish a formal and comprehensive cost allocation methodology and ensure that related policies and procedures such as the semi-automated allocation process policy are updated.

**VII. Federal Managers' Financial Integrity Act (31 U.S.C. 3512) (FMFIA) Compliance and Reporting**

As required by OMB Bulletin No. 01-02, we have compared the material weaknesses and material non-conformances reported by NARA in its FMFIA report dated November 1, 2004 to our report on internal control dated November 1, 2004. We do not believe, however, that failure to report these material weaknesses constitutes a separate reportable condition or material weaknesses because different criteria is used in determining material weaknesses for both reports, and management has reported some of the material weaknesses.

Following is a summary of the material weaknesses identified in this report that were not specifically identified in the FMFIA report:

NARA's FMFIA report for fiscal year 2004, identifies material weaknesses in computer security, however, the report does not address certain weaknesses that collectively have a material impact on NARA's internal controls. Weaknesses were noted in NARA's Entity-wide Security Program, which if not corrected, will materially impact the effectiveness of NARA's information security practices. Weaknesses were also noted in NARA's access controls, exposing NARA and its computer systems to risks of external and internal intrusion, subjects 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. Furthermore, NARA does not have a comprehensive disaster recovery plan. The scope of NARA's disaster recovery plan (DRP) is limited to addressing emergencies at the Archives II location as the national IT operations center. This DRP does not address disasters at other NARA locations.

Also, NARA's FMFIA report for fiscal year 2004 did not report the material weaknesses in financial reporting, property, plant and equipment, and investments that we identified in this report.

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In addition to the material weaknesses 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 1, 2004.

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

*Clifton Gundersen LLP*

Calverton, Maryland  
November 1, 2004





## **Independent Auditor's Report on Compliance with Laws and Regulations**

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, 2004, and have issued our report thereon dated November 1, 2004. In our report, our opinion was qualified for the effects of adjustments, if any, as might have been necessary had we been able to perform adequate audit procedures on property, plant and equipment, recoveries of prior year obligations, direct obligations incurred, and undelivered orders. Except as described above, 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. 01-02, *Audit Requirements for Federal Financial Statements*, as amended.

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 its 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. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). 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 with laws and regulations described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance with the laws and regulations that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02, as amended.

### **Federal Financial Management Improvement Act of 1996 (FFMIA)**

Under FFMIA, we are required to report whether NARA's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

The results of our tests disclosed instances described below, where NARA's financial management systems did not substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the USSGL at the transaction level.

### **Federal Financial Management Systems**

- Integrated Financial Management System – The general ledger system and critical subsystems (property management system, billing system, reporting system, and various spreadsheets) are not integrated or electronically interfaced. A user is not able to have one view into systems such that, at whatever level the individual is using the system, he or she can obtain the information needed efficiently and effectively through electronic means. See Independent Auditor's Report on Internal Control (IC Report), Section I. D. for a more detailed explanation.

The primary reason for noncompliance above is that some of NARA's internal software was not developed to interface with the service provider's general ledger system.

- The general ledger system setup and posting model definitions do not fully comply with the transactions posting models consistent with the USSGL guidance and policies when recording and classifying obligations and related accounts. See our IC Report, Section I. C. for a more detailed explanation.

The primary reason for above noncompliance is that NARA uses an accounting service provider who owns the general ledger system.

- Security – We have identified several weaknesses, which collectively are considered a material weakness, and are described in more detail in our IC Report, Section IV. The weaknesses include noncompliance with OMB Circular No. A-130, *Management of Federal Information Resources*, requirement for written management authorization prior to connecting with other systems. NARA has not formally defined, communicated, and documented data ownership responsibilities and procedures for all major applications and general support systems. In addition, there was a lack of an agency-wide contingency plan to address continuity of operations in the event of a disaster.

Impacted areas include NARA's distributed computer system as well as its mainframe computers. These vulnerabilities expose NARA and its computer systems to risks of external and internal 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.

### **Federal Accounting Standards**

Statement of Federal Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant and Equipment*, states that “[general property, plant, and equipment (PP&E)] are used by Federal entity to produce goods or services, or to support the mission of the entity; or are used in business-type activities.” PP&E is defined as “Tangible assets that (1) have an estimated useful

life of 2 or more years, (2) are not intended for sale in the ordinary course of business, and (3) are intended to be used or available for use by the entity.” The acquisition cost of general PP&E shall be recognized as an asset. NARA did not always account for its PP&E in accordance with SFFAS No. 6. Capitalizable acquisitions were expensed during the year and in the past.

### **U.S. Standard General Ledger at the Transaction Level**

Substantial compliance with the USSGL at the transaction level requires the agency’s recording of financial events to be consistent with all applicable account descriptions and posting model attributes reflected in the USSGL issued by the Department of the Treasury, Financial Management Service, effective for the period covered by the audit. As discussed in our IC Report, Section I. C., the setup and posting model definitions do not fully comply with the transaction posting models consistent with the USSGL guidance and policies when recording and classifying transactions.

NARA’s assistant archivist for Administrative Services and the assistant archivist for Human Resources and Information Services have been delegated the responsibility of ensuring the substantial compliance with the FFMIA. A discussion of the actions taken by NARA and our recommendations to strengthen NARA’s financial management systems are outlined in our IC Report.

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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.

We noted certain immaterial instances of noncompliance that we have reported to management of NARA in a separate letter dated November 1, 2004.

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

*Clifton Gundersen LLP*

Calverton, Maryland  
November 1, 2004

## Management Response to Auditor's Reports



### National Archives and Records Administration

8601 Adelphi Road  
College Park, Maryland 20740-6001

Date: November 8, 2004

To: Paul Brachfeld  
Inspector General

From: John W. Carlin *Jwc*  
Archivist of the United States

Subject: Management Response to Draft Independent Auditor's Reports on NARA's Internal Controls and Internal Compliance with Laws and Regulations for Fiscal Year 2004

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 with Laws and Regulations*. This is the first year that NARA has prepared consolidated financial statements in compliance with the Chief Financial Officers (CFO) Act. We appreciate your efforts in auditing NARA's FY 2004 financial statements and in providing timely, objective advice on how to improve our financial reporting processes and internal controls.

We are pleased that the auditor's report recognizes that it is a major accomplishment for any agency compiling financial statements for the first time to deliver them within accelerated timelines. Let me assure you that addressing the issues and weaknesses raised in these reports is one of the top priorities of NARA management. We are committed to meeting Congressional mandates and complying with financial accounting and reporting standards to assure completely unqualified opinions on our financial statements in the future.

While we generally agree with the assessments contained in the report, we offer the following comments.

**Financial Reporting**, page 2 of 17: We recognize and agree that many of our financial management issues stem from the deficiencies of our general ledger system, provided under a cross servicing agreement. Given the service provider's inability to address NARA's concerns and the system's non-compliance with the Federal Financial Management Improvement Act (FFMIA), NARA management made a decision in early 2004 to replace its financial system. We have selected the Bureau of Public Debt as NARA's new accounting services and financial system provider. The conversion process will begin in FY 2005, with the implementation planned for the start of FY 2006.

While our current system may not meet the standards, to the extent possible, NARA has implemented interim solutions to compensate for its limitations and will continue to enhance them.

**Financial Statement Preparation**, page 2 of 17: The spreadsheet-based application was designed to compensate for the system's deficiencies, due to posting logic errors and poor configuration, which are described in section C of your report. The spreadsheets provide a highly structured tool to:

- Facilitate monthly analysis of general ledger data
- Identify problems with the data, and develop timely corrections
- Standardize financial statement preparation and documentation across all NARA's reporting entities
- Simplify the process of making and tracking adjustments through the complexity of the financial statements

The application was further enhanced to implement additional controls for fourth quarter statements. These enhancements address many of your findings.

**Timely Recording, Reconciliation and Analysis**, page 3 of 17: We have already begun to make the necessary improvements in our financial management processes. We will develop a detailed plan of action to further address material weaknesses identified in this report.

**Integrated Financial Management System**, page 5 of 17: While we agree with the finding, NARA management will have to evaluate the economic feasibility of interface linkages and implement them where possible during conversion to the new financial system.

**Deferred Maintenance**, page 6 of 17: All projects that were identified as critical were funded during the year. In FY 2004, funding requests were received from the program offices (Presidential Libraries, Facilities and Materiel Management Services Division, and the Archives I Renovation Project). Requests were validated and prioritized according to the critical nature of the required maintenance. Other projects had been submitted and remained on the list for eventual consideration, but none were determined to be critical. Or, if determined to be critical, such as the roof leaks at the Hoover Library and the Carter Library, FY 2004 funding was provided to design the roof replacement and prepare a statement of work, which were necessary actions before actual construction could begin. Both projects are on the critical list for FY 2005. NARA will ensure that non-critical submittals are identified as such and included for deferred maintenance computation going forward.

NARA's policy is to require building condition reports be prepared by professional engineering firms every five years, supplemented annually by additional information provided by each facility manager. NARA has not defined when a building condition report must first be done for new facilities. For example, the two buildings that did not have existing building condition reports are the National Archives at College Park and the Bush Library, the newest facilities in NARA's inventory of buildings. The College Park facility is scheduled for a building condition report in FY 2005. After consultation with engineering experts, NARA will establish a timeframe for scheduling the first building condition report on new facilities.

**Information Technology (IT)**, page 8 of 17: NARA concurs with the IT findings detailed in these reports and will incorporate the recommendations into our planning for FY 2005. We

will incorporate the results of the Agency Continuity of Operations Planning project into the IT disaster recovery and contingency planning programs, resulting in an alignment of IT recovery processes with business and mission priorities. In addition, we will continue to implement improvements to the agency computer security program by adjusting policies, developing operating system baselines, and monitoring for compliance. Finally, as part of the agency enterprise risk management process, NARA will reassess physical and environmental controls at all NARA data centers.

I would like to thank the Office of the Inspector General and Clifton Gunderson LLP for working in a professional and dedicated manner with NARA staff to accomplish our accelerated reporting goals. Together, through coordinated planning and the diligence of our staffs, we were able to complete the audit process for the first time under an extremely demanding timeframe. This is an achievement for which we can all be very proud.

## Financial Statements and Additional Information

### *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 2004 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, 2004*

*(in dollars)*

#### **Assets (note 2)**

##### **Intragovernmental**

Fund balance with Treasury (note 3)	\$ 185,206,592
Investments (notes 2, 4)	31,204,730
Accounts receivable (note 5)	14,150,707
Other (note 8)	40,169
Total intragovernmental	<u>230,602,198</u>

Cash (note 3)	36,195
Investments (note 4)	4,785,275
Accounts receivable, net (note 5)	881,056
Inventory, net (note 6)	994,847
General property, plant and equipment, net (note 7)	328,326,587
Other (note 8)	1,015,888
	<u>1,015,888</u>

**Total assets** \$ 566,642,046

#### **Liabilities (note 9)**

##### **Intragovernmental**

Accounts payable	\$ 3,407,235
Other (notes 9, 11, 12)	21,293,722
Total intragovernmental	<u>24,700,957</u>

Accounts payable	24,426,228
Debt held by the public (notes 9, 10)	246,046,049
Other (notes 9, 11)	26,899,167
Total liabilities	<u>322,072,401</u>

#### **Net Position**

Unexpended appropriations	139,792,729
Cumulative results of operations	104,776,916
	<u>104,776,916</u>

**Total liabilities and net position** \$ 566,642,046

The accompanying notes are an integral part of these statements.



***Consolidated Statement of Net Cost***  
***For the Year Ended September 30, 2004***  
***(in dollars)***

**Program costs**

**Records and archives-related services**

Intragovernmental gross costs	\$ 54,340,065
Less: Intragovernmental earned revenue	(988,096)
Intragovernmental net costs	53,351,969
Gross costs with the public	187,284,588
Less: Earned revenues from the public	—
Net costs with the public	187,284,588
<b>Total net records and archives-related services program costs</b>	<b>240,636,557</b>

**Trust and Gift Funds**

Intragovernmental gross costs	2,132,571
Less: Intragovernmental earned revenue	(16,497)
Intragovernmental net costs	2,116,074
Gross costs with the public (excluding heritage asset renovation)	14,190,941
Heritage asset renovation costs (Note 14)	1,237,297
Less: Earned revenues from the public	(14,215,669)
Net costs with the public	1,212,569
<b>Total net trust and gift fund costs</b>	<b>3,328,643</b>

**Electronic records archives**

Intragovernmental gross costs	4,311,172
Less: Intragovernmental earned revenue	—
Intragovernmental net costs	4,311,172
Gross costs with the public	6,913,429
Less: Earned revenues from the public	—
Net costs with the public	6,913,429
<b>Total net electronic records archives program costs</b>	<b>11,224,601</b>

*(continued on next page)*

***Consolidated Statement of Net Cost, continued***  
*For the Year Ended September 30, 2004*  
 (in dollars)

<b>National Historical Publications and Records Commission grants</b>	
Intragovernmental gross costs	247,827
Less: Intragovernmental earned revenue	—
Intragovernmental net costs	<u>247,827</u>
Gross costs with the public	5,677,323
Less: Earned revenues from the public	—
Net costs with the public	<u>5,677,323</u>
<b>Total net National Historical Publications and Records Commission grants program costs</b>	<b>5,925,150</b>
<b>Archives facilities and Presidential libraries repairs and restoration</b>	
Intragovernmental gross costs	684
Less: Intragovernmental earned revenue	(485,000)
Intragovernmental net costs	<u>(484,316)</u>
Gross costs with the public (excluding heritage asset renovation)	15,464
Heritage asset renovation costs (note 14)	13,488,344
Less: Earned revenues from the public	—
Net costs with the public	<u>13,503,808</u>
<b>Total net archives facilities and Presidential libraries repairs and restoration program costs</b>	<b>13,019,492</b>
<b>Revolving Fund records center storage and services</b>	
Intragovernmental gross costs	64,177,073
Less: Intragovernmental earned revenue	(125,691,002)
Intragovernmental net costs	<u>(61,513,929)</u>
Gross costs with the public	77,268,146
Less: Earned revenues from the public	(3,547,516)
Net costs with the public	<u>73,720,630</u>
<b>Total net Revolving Fund records center storage and services program costs</b>	<b>12,206,701</b>
Costs not assigned to programs	—
Less: Earned revenues not attributed to programs	<u>—</u>
<b>Net cost of operations</b>	<b><u><u>\$ 286,341,144</u></u></b>

The accompanying notes are an integral part of these statements.

***Consolidated Statement of Changes in Net Position***  
***For the Year Ended September 30, 2004***  
***(in dollars)***

	<i>Cumulative results of operations</i>	<i>Unexpended appropriations</i>
<b>Beginning balance</b>	\$ 78,777,860	\$ 122,598,948
<b>Budgetary financing sources</b>		
Appropriations received	—	316,322,000
Other adjustments	—	(4,602,033)
Appropriations used	294,526,186	(294,526,186)
Nonexchange revenue	18,831	—
Donations and forfeitures of cash and cash equivalents	3,570,778	—
<b>Other financing sources</b>		
Imputed financing from costs absorbed by others	14,224,405	—
<b>Total financing sources</b>	<b>312,340,200</b>	<b>17,193,781</b>
<b>Net cost of operations</b>	<b>286,341,144</b>	
<b>Ending balance</b>	<b>\$ 104,776,916</b>	<b>\$ 139,792,729</b>

The accompanying notes are an integral part of these statements.

***Combined Statement of Budgetary Resources***  
***For the Year Ended September 30, 2004***  
***(in dollars)***

**Budgetary resources**

Budget authority	
Appropriations received	\$ 320,140,868
Unobligated balance, beginning of period	60,523,648
Spending authority from offsetting collections	
Earned	
Collected	160,973,336
Receivable from Federal sources	2,407,968
Change in unfilled customer orders	
Advance received	(88,086)
Without advance from Federal sources	1,836
Subtotal	<u>543,959,570</u>
Recoveries of prior year obligations	21,096,787
Permanently not available	<u>(12,412,322)</u>
<b>Total budgetary resources</b>	<b><u><u>552,644,035</u></u></b>

**Status of budgetary resources**

Obligations incurred	
Direct	349,568,595
Reimbursable	140,503,199
Subtotal	<u>490,071,794</u>
Unobligated balance	
Apportioned	27,128,864
Exempt from apportionment	30,674,319
Unobligated balance not available	<u>4,769,058</u>
<b>Total status of budgetary resources</b>	<b><u><u>552,644,035</u></u></b>

**Relationship of obligations to outlays**

Obligated balance, net, beginning of period	142,166,175
Obligated balance, net, end of period	
Accounts receivable	(15,344,704)
Unfilled customer orders from Federal sources	(769,672)
Undelivered orders	119,478,806
Accounts payable	37,797,207
Outlays	
Disbursements	467,569,741
Collections	<u>(160,885,250)</u>
<b>Total outlays</b>	<b><u><u>\$ 306,684,491</u></u></b>

The accompanying notes are an integral part of these statements.

***Consolidated Statement of Financing***  
***For the Year Ended September 30, 2004***  
***(in dollars)***

<b>Resources used to finance activities</b>	
Budgetary resources obligated	
Obligations incurred	\$490,071,794
Less: Spending authority from offsetting collections and recoveries	<u>(184,391,841)</u>
Obligations net of offsetting collections and recoveries	305,679,953
Other resources	
Imputed financing from costs absorbed by others	<u>14,224,405</u>
<b>Total resources used to finance activities</b>	<b><u>319,904,358</u></b>
 <b>Resources used to finance items not part of net cost of operations</b>	
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	(15,641,916)
Budgetary offsetting collections and receipts that do not affect net cost of operations	18,831
Resources that finance the acquisition of assets	<u>(34,698,120)</u>
<b>Total resources used to finance items not part of net cost of operations</b>	<b><u>(50,321,205)</u></b>
 <b>Total resources used to finance the net cost of operations</b>	 <b>269,583,153</b>
 <b>Components of the net cost of operations that will not require or generate resources in current period</b>	
<b>Components requiring or generating resources in future periods</b>	
Increase in annual leave liability	831,603
Other	<u>(5,965,485)</u>
<b>Total components of net cost of operations that will require or generate resources in future periods</b>	<b>(5,133,882)</b>
<b>Components not requiring or generating resources</b>	
Depreciation and amortization	20,739,351
Other	<u>1,152,522</u>
<b>Total components of net cost of operations that will not require or generate resources</b>	<b>21,891,873</b>
<b>Total components of net cost of operations that will not require or generate resources in current period</b>	<b><u>16,757,991</u></b>
<b>Net cost of operations</b>	<b><u><u>\$286,341,144</u></u></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 June 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 the National Archives and Records Service. 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 national 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 Fund**

- 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. Statues 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 in Maryland that was opened to the public in 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 and provides adequate storage for holdings. It will better enable the National Archives to maintain its facilities in proper condition for public visitors, researchers, and employees in NARA facilities and also 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, refile, and disposal services for records stored in regional records services 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*

NARA's agency-wide financial statements are prepared for the first time for the year ended September 30, 2004; these statements are not presented on a comparative basis. The consolidated balance sheet reports NARA's financial position as of September 30, 2004. The consolidated statement of net cost, the consolidated statement of changes in net position, the combined statement of budgetary resources, and the consolidated statement of financing reflect activity for the year ended September 30, 2004.

These statements were prepared from NARA's accounting records in conformity with generally accepted accounting principles (GAAP) for Federal entities and the Office of Management and Budget (OMB) Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. 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.

*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 NARA 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; therefore, there is no allowance for uncollectible accounts.

*F. Investments in Securities*

Investments in securities are reported at cost, net of amortized premiums and discounts. Premiums and discounts are amortized into interest expense and interest revenue, respectively, over the term of the investment. Except for money market funds, NARA's intent is to hold investments to maturity unless they are needed to sustain operations. NARA's investments consist largely of short-term, highly liquid investments, i.e., Treasury bills and money market funds, which are treated as investments rather than cash equivalents.

NARA also employs the use of a third-party capital management firm to monitor and manage an endowment received pursuant to Title 44 U.S.C., section 2112. The purpose of the endowment is to provide income to offset the operations and maintenance costs of the George Bush Library. The endowment has been reflected as a separate individual investment in an intermediate bond fund. The intent of the initial investment is to provide long-run preservation of principal, low volatility of market value, and stable interest income. The initial investment has been recorded at lower of cost or market. NARA does not recognize gains or losses on individual purchases and sales within the intermediate bond fund portfolio.

NARA also holds investments outside of Treasury. These investments were funded by accumulated interest on long-term debt financing held for construction of the National Archives at College Park during the period of construction and hence. These funds will be relinquished to the U.S. Treasury.

#### *G. Cash*

Cash consists of petty cash imprest funds maintained at Presidential libraries and the National Archives regional and headquarters locations. These funds are 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 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 current 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 analysis of historical information and an evaluation of inventory turnover from year to year. Expenses are recorded when the inventories are sold.

#### *K. Property, Plant, and Equipment*

NARA capitalizes individual acquisitions with costs exceeding \$25,000 and useful lives exceeding two years. NARA does not capitalize general purpose office furniture, installed carpeting, panel and office partitions, or free-standing storage shelving. Catwalks and installed shelving in the record facilities are capitalized and depreciated over 20 years. Acquisitions not meeting these criteria are recorded as operating expenses. Depreciation expense is calculated using the straight-line method. Federal Financial Accounting Standard (SFFAS) No. 6, *Accounting for Property, Plant and Equipment*, defines the diversity among Federal PP&E. NARA's PP&E fall into two categories: general PP&E and heritage assets. General PP&E are used to provide general government goods and services. Heritage assets are defined as possessing significant educational, cultural, or natural characteristics. Some heritage assets serve two purposes by being used in day-to-day Government operations and being a reminder of our heritage. All Presidential libraries and the National



Archives Building are classified as heritage assets and are not included in PP&E. The National Archives at College Park is classified as a multiuse heritage asset and is included in PP&E on the balance sheet. The costs of acquisition, betterment, or reconstruction of multiuse heritage assets are capitalized as general PP&E and depreciated. Physical quantity of both heritage and multiuse heritage assets is included in the required Supplementary Stewardship Information. The current condition of PP&E and heritage assets and estimated cost of deferred maintenance is reported in the required Supplementary Information.

*L. Internal Use Software*

NARA capitalizes internal-use software development projects whose total cost is \$250,000 or greater. Internal-use software includes commercial off-the-shelf (COTS) software and internally developed software. If additional costs are incurred to assist in implementing or modifying the COTS software, those costs are also capitalized. The estimated useful life for calculating amortization of software 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 future workers' compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The 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 10-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 8.51 percent of basic pay and the employee contributes 7.0 percent, for a total contribution of 15.51 percent. On January 1, 1984, FERS went into effect pursuant to Public Law 99-335. Under the FERS plan, NARA contributes 10.7 percent, while employees contribute 0.8 percent of basic pay, for a total contribution of 11.5 percent. NARA funds a portion of pension benefits for its employees under the CSRS and the FERS and makes the necessary payroll withholdings for them. 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 Consolidated Statement of Net Cost and recognizes imputed financing related to these costs on the Consolidated 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. A TSP account is automatically established for FERS covered employees, and NARA makes a mandatory contribution of 1 percent of basic pay. FERS-covered employees are entitled effective December 2003 to contribute up to 14 percent of basic pay to their TSP account, subject to the U.S. Internal Revenue Service (IRS) dollar amount limits, with NARA making matching contributions up to an additional 4 percent of basic pay. Employees covered by CSRS are entitled to contribute up to 9 percent of basic pay to their TSP accounts, subject to the IRS dollar amount limits. NARA makes no matching contributions for CSRS-covered employees. Effective July 2003, TSP participants age 50 or older who are already contributing the maximum amount of contributions for which they are eligible may also make catch-up contributions subject to the IRS dollar amount limits. 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 \$87,000 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. 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 is involved in various claims. A liability is generally recognized as 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 considered "remote" are not recognized in the financial statements or disclosed in the notes to the financial statements.

*S. Allocation of Program Management Cost*

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 not an organization within NARA (see note 21). In addition, there was no reasonable or consistent basis to allocate program management cost to other programs appearing on the Statement of Net Cost.

*Note 2 – Non-entity Assets*

Non-entity intragovernmental investments of \$17,452,599 were funded by the interest earned on the investment of funds raised from the sale of certificates of ownership to finance the construction of the National Archives at College Park. These funds will be relinquished to and are offset by a liability to the U.S. Treasury. See note 4.

*Note 3 – Fund Balance with Treasury and Cash*

<b>Fund balances</b>	
Appropriated funds	\$ 165,246,334
Revolving Fund	18,920,692
Trust Fund	900,516
Gift Fund	139,050
<b>Sub-total</b>	<b>185,206,592</b>
Investments	35,990,005
Less interest receivable on investments	(46,315)
Less non-entity investments	(17,452,599)
Imprest Fund (Cash)	36,195
<b>Total</b>	<b>203,733,878</b>

<b>Status of fund balances with Treasury</b>	
Unobligated balance	
Available	57,803,183
Unavailable	4,769,058
Obligated balance not yet disbursed	141,161,637
<b>Total</b>	<b>203,733,878</b>

<b>Unavailable unobligated balance includes the following</b>	
Allotments – Expired authority	\$ 4,769,058

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. The restricted unobligated balance is \$7,830,383.

The unused fund balance in cancelled appropriation for FY 1999 that is returned to Treasury at the end of the fiscal year is \$2,735,733.

*Note 4 – Investments*

At September 30, 2004, investments were composed of the following:

	<i>Cost</i>	<i>Amortization method</i>	<i>Unamortized (premium) discount</i>	<i>Investments, net</i>	<i>Other adjustments</i>	<i>Market value disclosure</i>
<b>Intragovernmental securities</b>						
Marketable		Straight-				
	\$31,281,405	line	\$ 76,675	\$ 31,204,730	\$ (30,627)	\$31,174,103
<b>Total intragovernmental</b>	<b>31,281,405</b>		<b>76,675</b>	<b>31,204,730</b>	<b>(30,627)</b>	<b>31,174,103</b>

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	Cost	Amortization method	Unamortized (premium) discount	Investments, net	Other adjustments	Market value disclosure
<b>Other securities</b>						
Money market funds	402,685			402,685		402,685
U.S. Treasury obligations	266,707			266,707	(2,061)	264,646
U.S. government agencies	1,488,601			1,488,601	3,852	1,492,453
Corp. & foreign bonds	2,580,967			2,580,967	214,960	2,795,927
Accrued interest	46,315			46,315		46,315
Total other	4,785,275		—	4,785,275	216,751	5,002,026
<b>Total investments</b>	<b>\$36,066,680</b>		<b>\$ 76,675</b>	<b>\$ 35,990,005</b>	<b>\$ 186,124</b>	<b>\$36,176,129</b>

Intragovernmental securities are invested in Treasury Bills and Notes through the Bureau of Public Debt. Included in that amount is the non-entity investment of \$17,452,599, which represents accumulated interest on long-term debt financing held for construction of the National Archives at College Park during the period of construction and hence. See note 2.

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

*Note 5 – Accounts Receivable, Net*

Accounts receivable and allowances for uncollectible accounts as of September 30, 2004, consisted of the following:

	Intragovernmental	With the public
Accounts receivable	\$ 14,150,707	\$ 881,628
Allowance for uncollectible accounts	—	(572)
<b>Accounts receivable, net</b>	<b>\$ 14,150,707</b>	<b>\$ 881,056</b>

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; therefore, there is not an allowance for uncollectible accounts.

*Note 6 – 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 the quarter ending September 30, 2004.

Inventory held for sale	\$ 1,499,528
Allowance for damaged and obsolete goods	(504,681)
<b>Net realizable value</b>	<b>\$ 994,847</b>

*Note 7 - General Property, Plant, and Equipment, Net*

The following components comprise Property, Plant, and Equipment as of September 30, 2004:

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<i>Asset category</i>	<i>Estimated useful life in years</i>	<i>Acquisition cost</i>	<i>Accumulated depreciation/amortization</i>	<i>Net book value</i>
Land	n/a	\$ 6,159,194	\$ —	\$ 6,159,194
Buildings and structures	30	358,405,946	(130,860,139)	227,545,807
Construction and shelving in progress		24,307,466		24,307,466
Equipment	3 to 7	22,463,568	(11,226,904)	11,236,664
Shelving/catwalks	20	37,387,369	(23,520,563)	13,866,806
Leasehold improvements	5	384,390	(62,351)	322,039
Assets under capital lease	20	5,284,285	(2,169,396)	3,114,889
Internal-use software	5	27,044,585	(9,319,599)	17,724,986
Software development in progress		24,048,736		24,048,736
<b>Total property, plant and equipment</b>		<b>\$ 505,485,539</b>	<b>\$ (177,158,952)</b>	<b>\$ 328,326,587</b>

As described in note 1K, buildings and structures include only the National Archives at College Park, which is a multiuse heritage asset. All other buildings are deemed to be heritage assets and are not included in the general PP&E.

*Note 8 – Other Assets*

	<i>Intragovernmental</i>	<i>With the public</i>
Other assets	\$ —	\$ 1,014,500
Prepaid expenses	40,169	—
Advances	—	1,388
<b>Total other assets</b>	<b>\$ 40,169</b>	<b>\$ 1,015,888</b>

Other assets of \$1,014,500 represent a one-time cost of obtaining an operating lease. This cost is deferred and to be amortized over the lease term as additional rent expense.

Prepaid expenses represent amounts advanced for postage.

Advances represent amounts for travel and relocation.

*Note 9 – Liabilities Not Covered by Budgetary Resources*

	<i>Intragovernmental</i>	<i>With the public</i>
Debt held by the public (including accrued interest)	\$ —	\$ 246,046,049
Other	397,390	20,405,754
<b>Total liabilities not covered by budgetary resources</b>	<b>397,390</b>	<b>266,451,803</b>
<b>Total liabilities covered by budgetary resources</b>	<b>24,303,567</b>	<b>30,919,641</b>
<b>Total liabilities</b>	<b>\$ 24,700,957</b>	<b>\$ 297,371,444</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.

Total other intragovernmental liabilities of \$397,390 represent workers' compensation claims paid by the Department of Labor (DOL). The \$20,405,754 of other liabilities with the public comprise unfunded annual leave of \$11,015,778 and workers' compensation of \$9,389,976 that represents

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.

*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.

Although the full amount financed, \$301,702,000, was included (scored) for U.S. budget estimation purposes in fiscal year 1989, NARA requires an annual congressional appropriation to pay the redemption of debt (principal) and interest costs of \$28,971,371 annually. The 25-year semiannual payments of \$14,485,685 began in 1994 and will be completed in 2019.

**Unpaid Principal Balance**

2004 beginning balance	\$ 252,122,164
FY 2004 debt repayment	7,810,289
<b>2004 ending balance</b>	<b><u>\$ 244,311,875</u></b>

*Note 11 – Other Liabilities*

Intragovernmental	
Workers’ compensation	\$ 1,700,277
Capital lease liability-current	527,058
Capital lease liability-long term	1,613,788
Liability for non-entity investments	<u>17,452,599</u>
Total intragovernmental	21,293,722
Workers’ compensation	9,389,976
Accrued funded payroll and leave	6,165,179
Unfunded leave	11,015,778
Advances from others	281,860
Deferred credits-fees	<u>46,374</u>
<b>Total other liabilities</b>	<b><u>\$ 48,192,889</u></b>

The liability of \$11,090,252 for workers’ compensation at September 30, 2004, includes a current portion of \$1,700,277 million and estimated future costs of \$9,389,976 million. 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.

The liability for non-entity investments offsets non-entity investments that were funded by the interest earned on the funds raised from the sale of certificates of ownership to finance the construction of the National Archives at College Park. NARA will be relinquishing the funds to U.S. Treasury upon meeting trust agreement conditions in FY 2005. See note 2.

Accrued annual leave consists of employees’ unpaid leave balances at September 30, 2004, and reflects wage rates in effect at fiscal year end. Accrued annual leave is described in note 1P,

Summary of Significant Accounting Policies, and is included in Liabilities Not Covered by Budgetary Resources, 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.

**CAPITAL LEASES – NARA as lessee**

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Summary of assets under capital lease:	
Shelving	\$ 5,284,285
Accumulated depreciation	2,169,396
Future payments due	
Fiscal year	
2005	\$ 663,962
2006	645,817
2007	344,253
2008	146,173
2009	146,173
After 2009	743,064
Total future lease payments	2,689,442
Less: imputed interest	548,596
<b>Net capital lease liability</b>	<b>\$ 2,140,846</b>

Lease liabilities covered by budgetary resources \$ 2,140,846  
 This amount is included in Intragovernmental Liabilities, Other.

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; June 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.) The schedule below shows the total future lease payments.

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**OPERATING LEASES – NARA as lessee**

Future payments due	
Fiscal year	
2005	\$ 5,354,227
2006	5,433,516
2007	5,515,679
2008	5,600,751
2009	5,688,833
<b>After 2009</b>	<u>64,449,539</u>
<b>Total future lease payments</b>	<u>\$ 92,042,545</u>

*Note 13 – Commitments and Contingencies*

NARA has incurred claims in the normal course of business. As of September 30, 2004, in the opinion of its General Counsel, NARA has no material outstanding claims. Counsel advised that an Equal Employment Opportunity Commission (EEOC) claim was recently filed for which a thorough analysis has not been completed.

The NARA Revolving Fund has entered into a lease agreement for a new records center in Perris, CA, with occupancy scheduled to begin on or about December 1, 2004. The lease term is twenty years with phased in monthly rental rates through December 2005, followed by annual rents of \$2,273,438. The phased-in rates for the first year are based on the scheduled completion dates of the storage bays.

*Note 14 – Cost of Stewardship PP&E*

Stewardship assets consist of heritage assets as defined in note 1K. No financial value is or can be placed on these assets.

The Consolidated Statement of Net Cost includes the following costs in the current period to renovate heritage assets:

<i>Asset</i>	<i>Gift</i>	<i>Appropriation</i>
Roosevelt Library	\$ 53,977	\$ 917,075
Reagan Library		2,446,093
Ford Library	1,183,320	330,554
National Archives Building		9,794,622
<b>Total</b>	<u>\$ 1,237,297</u>	<u>\$ 13,488,344</u>

For additional information about NARA's stewardship assets, see the Supplementary Stewardship Information section of this report.

*Note 15 – Stewardship Assets Acquired Through Transfer, Donation, and 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 the Supplementary Stewardship Information, including the type and quantity of heritage assets added during the fiscal year.

*Note 16 – Exchange Revenues*

Records Administration Conference (RACO). Fees were determined based on attendance levels and costs in FY 2002 plus modest inflationary increases. The fees are \$225 per registrant, \$800 per Oceanic Suite exhibitor, and \$1,000 per Amphitheater exhibitor.



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 (i.e., 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 archival staff members providing assistance in reproducing foreign policy-related records in the Nixon Presidential Materials. In addition, NARA is reimbursed for reproduction costs at \$.15 per copy.

Improvements for the joint National Park Service and National Archives Visitor Center at the Franklin D. Roosevelt Library. The National Park Service provided funds for their portion of the cost to cover improvements to the park entrance at the new joint National Park Service and National Archives Visitor Center at the Roosevelt Library.

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.

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.

*Note 17 – Gross Cost and Earned Revenue by Budget Functional Classification*

Gross cost and earned revenue for NARA are classified under the budget functional classification General Government under the President’s budget. Gross cost and earned revenue are categorized as follows:

	<i>Intragovernmental</i>	<i>With the public</i>	<i>Total</i>
Gross cost	\$ 125,209,392	\$ 306,075,532	\$ 431,284,924
Earned revenue	(127,180,595)	(17,763,185)	(144,943,780)
<b>Net cost</b>	<b>\$ (1,971,203)</b>	<b>\$ 288,312,347</b>	<b>\$ 286,341,144</b>

*Note 18 – 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. For FY 2004, NARA has not received any Category B apportionments. NARA’s Revolving, Trust, and Gift Funds are exempt from apportionment. The amounts of direct and reimbursable obligations are displayed in the following chart.

<i>Obligations incurred</i>	<i>Category A</i>	<i>Exempt</i>	<i>Total</i>
Direct obligations	\$ 338,567,177	\$ 11,001,418	\$ 349,568,595
Reimbursable obligations	2,850,575	137,652,624	140,503,199
<b>Total</b>	<b>\$ 341,417,752</b>	<b>\$ 148,654,042</b>	<b>\$ 490,071,794</b>

*Note 19 – Legal Arrangements Affecting Use of Unobligated Balances*

Public Law 108-7, February 20, 2003, Division J, Title V, Section 508, authorized that up to 50 percent of NARA's unobligated balances remaining available at the end of fiscal year 2003 from appropriations made available for salaries and expenses for fiscal year 2003 shall remain available through September 30, 2004. A request must be submitted to the Committees on Appropriations for approval prior to the expenditure of these funds. In July 2004, NARA requested and was authorized to transfer \$297,966, which represents 50 percent of the unobligated balance available at the end of FY 2003.

*Note 20 – Statement of Budgetary Resources vs. Budget of the United States*

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 to the related actual balances published in the *Budget of the United States Government*. However, the *Budget of the United States Government* (President's Budget) that will include FY 2004 actual budgetary execution information has not yet been published. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements. The President's Budget for FY 2003 is not included because these are not comparative statements.

The FY 2004 data submitted to FACTS II for preparing the SF-133 and the President's Budget differs from the amounts reported on the statement of budgetary resources. The differences are due mostly to incorrect reporting in prior years on the SF-133 submissions for non-entity investments, resulting in overstatement in budgetary resources and status of budgetary resources of \$16 million. NARA intends to work with OMB to provide a revised submission during the FACTS II revision window to effect a correction for FY2004 President's Budget.

*Note 21 – Dedicated Collections*

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, the National Historical Publications and Records Commission, and the Charters of Freedom Project.

Cumulative results of operations is reported as restricted or unrestricted. Restricted cumulative results of operations represents 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

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and donations and related expenses to National Archives Gift Fund activities with specific requirements are considered restricted; all others are reported as unrestricted.

Financial Information for NATF and NAGF as of September 30, 2004, consists of the following:

	<i>NATF</i>	<i>NAGF</i>
<b>Assets</b>		
Fund balance with Treasury	\$ 900,516	\$ 139,050
Cash	36,195	—
Investments, net	10,435,181	8,102,226
Accounts receivable	575,930	—
Inventory	994,847	—
Property, plant, and equipment	737,055	—
Prepaid postage	40,169	—
<b>Total assets</b>	<b>13,719,893</b>	<b>8,241,276</b>
<b>Liabilities</b>		
Accounts payable	787,530	30,514
Other liabilities	933,114	—
<b>Total liabilities</b>	<b>1,720,644</b>	<b>30,514</b>
<b>Net position</b>		
Cumulative results of operations		
Restricted	—	7,830,383
Unrestricted	—	380,379
<b>Total net position</b>	<b>11,999,249</b>	<b>8,210,762</b>
<b>Total liabilities and net position</b>	<b>13,719,893</b>	<b>8,241,276</b>
Net position, beginning of fiscal year	12,889,947	9,961,792
Change in net position		
Non-exchange revenue	18,831	—
Donations and forfeitures of cash and cash equivalents	—	3,570,778
Imputed financing from costs absorbed by others	441,414	—
Total financing sources	460,245	3,570,778
Net cost of operations	1,350,943	5,321,808
<b>Net position, end of fiscal year</b>	<b>\$ 11,999,249</b>	<b>\$8,210,762</b>

*Note 22 – 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, 2004, 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 remainder are included as “Other liabilities” on the balance sheet and consist of annual leave liability, unfunded workers’ compensation, and unfunded pension expenses. The increase in annual leave liability is shown as a separate line item on the statement of financing. Changes to workers’ compensation and pension expenses are included in “Other components requiring or generating resources in future periods.”



**Supplementary Information**  
**For the Year Ended September 30, 2004**

**Schedule of Intragovernmental Amounts**

*Intragovernmental Assets*

<b>Trading Partner</b>	<b>Fund balance with Treasury</b>	<b>Investments</b>	<b>Accounts receivable</b>	<b>Prepaid expenses</b>
Department of the Treasury	\$ 185,206,592	\$ 31,204,730	\$ 2,752,062	\$ —
Department of Defense			6,351,476	
Department of Justice			1,152,414	
U.S. Courts			686,789	
Department of Health and Human Services			465,063	
U.S. Postal Service			160,020	40,169
Other			2,582,883	
<b>Total</b>	<b>\$ 185,206,592</b>	<b>\$ 31,204,730</b>	<b>\$14,150,707</b>	<b>\$ 40,169</b>

*Intragovernmental Liabilities*

<b>Trading Partner</b>	<b>Accounts Payable</b>	<b>Other</b>
Department of the Treasury	\$ —	\$ 17,452,599
General Services Administration	1,714,917	2,140,846
Department of Defense	548,599	
Department of Labor	170,817	1,700,277
Office of Personnel Management	270,823	
Department of Health and Human Services	67,958	
Other	634,121	
<b>Total</b>	<b>\$ 3,407,235</b>	<b>\$ 21,293,722</b>

*Intragovernmental Earned Revenues and Related Costs*

<b>Budget functional classification</b>	<b>Earned revenue</b>	<b>Gross cost to generate revenue</b>
General Government	\$ 127,180,595	\$ 142,839,274

*Schedule of Budgetary Resources by Major Budget Accounts*

	<i>Records and Archives-Related Services</i>	<i>Gift Fund</i>	<i>Trust Fund</i>
<b>Budgetary Resources</b>			
Budget authority			
Appropriations received	\$ 256,700,000	\$ 3,818,032	\$ 836
Unobligated balance, beginning of period	4,686,110	8,011,603	10,451,259
Spending authority from offsetting collections			
Earned			
Collected	15,809,356	769	13,777,157
Receivable from Federal sources	70,399	9,924	95,498
Change in unfilled customer orders			
Advance received	—	—	(88,086)
Without advance from Federal sources	—	—	1,836
<b>Subtotal</b>	<b>277,265,865</b>	<b>11,840,328</b>	<b>24,238,500</b>
Recoveries of prior year obligations	14,970,706	15,248	300,488
Permanently not available	(12,060,552)	—	—
<b>Total Budgetary Resources</b>	<b>280,176,019</b>	<b>11,855,576</b>	<b>24,538,988</b>
<b>Status of Budgetary Resources</b>			
Obligations incurred			
Direct	272,433,986	3,920,829	14,890,878
Reimbursable	2,365,576	—	—
<b>Subtotal</b>	<b>274,799,562</b>	<b>3,920,829</b>	<b>14,890,878</b>
Unobligated balance			
Apportioned	607,399	—	—
Exempt from apportionment	—	7,934,747	9,648,110
Unobligated balances not yet available	4,769,058	—	—
<b>Total status of budgetary resources</b>	<b>280,176,019</b>	<b>11,855,576</b>	<b>24,538,988</b>
<b>Relationship of Obligations to Outlays</b>			
Obligated balance, net, beginning of period	61,212,464	4,297,693	792,554
Obligated balance, net, end of period			
Accounts receivable	403,388	46,316	567,550
Unfilled customer orders from Federal sources	—	—	1,836
Undelivered orders	50,550,201	276,014	1,305,752
Accounts payable	17,904,750	30,515	987,416
Outlays			
Disbursements	252,919,356	7,933,137	13,561,829
Collections	(15,809,356)	(769)	(13,689,072)
<b>Total outlays</b>	<b>\$ 237,110,000</b>	<b>\$ 7,932,368</b>	<b>\$ (127,243)</b>

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<i>Electronic Records Archives</i>	<i>National Historical Publications and Records Commission Grants</i>	<i>Archives Facilities and Presidential Libraries Repairs and Restorations</i>	<i>Records Center and Storage Services</i>	<i>Total</i>
\$ 35,914,000	\$10,000,000	\$ 13,708,000	\$ —	\$ 320,140,868
5,695,552	1,011,505	17,268,944	13,398,675	60,523,648
—	12,943	485,000	130,888,111	160,973,336
—	(3,615)	—	2,235,762	2,407,968
—	—	—	—	(88,086)
—	—	—	—	1,836
41,609,552	11,020,833	31,461,944	146,522,548	543,959,570
434,881	280,442	873,485	4,221,537	21,096,787
(211,893)	(59,000)	(80,877)	—	(12,412,322)
<b>41,832,540</b>	<b>11,242,275</b>	<b>32,254,552</b>	<b>150,744,085</b>	<b>552,644,035</b>
35,143,729	9,562,810	13,616,363	—	349,568,595
—	—	485,000	137,652,623	140,503,199
35,143,729	9,562,810	14,101,363	137,652,623	490,071,794
6,688,811	1,679,465	18,153,189	—	27,128,864
—	—	—	13,091,462	30,674,319
—	—	—	—	4,769,058
<b>41,832,540</b>	<b>11,242,275</b>	<b>32,254,552</b>	<b>150,744,085</b>	<b>552,644,035</b>
7,630,744	9,551,932	55,865,522	2,815,266	142,166,175
—	—	—	14,327,450	15,344,704
—	—	—	767,836	769,672
30,039,694	11,875,909	15,427,617	10,003,619	119,478,806
2,115,534	363,831	5,474,263	10,920,898	37,797,207
10,184,365	6,598,174	48,191,521	128,181,359	467,569,741
—	(12,943)	(485,000)	(130,888,110)	(160,885,250)
<b>\$ 10,184,365</b>	<b>\$ 6,585,231</b>	<b>\$ 47,706,521</b>	<b>\$ (2,706,751)</b>	<b>\$ 306,684,491</b>

***Segment Information – Revolving Fund***

NARA’s Revolving Fund provides storage and related services for Federal records still in agency custody and other instrumentalities of the Federal Government. The related services comprise retrieving, transferring, refiling, and disposing of the stored Federal records. The fund’s major customers (organizations that account for more than 15 percent of the fund’s revenues) are Department of Defense and Internal Revenue Service.

The following summarizes revolving fund financial information as of September 30, 2004:

Fund balance	\$ 18,920,692
Accounts receivable	14,370,695
Property, plant and equipment	22,915,262
Other assets	1,014,500
Liabilities due and payable for goods and services received	5,487,165
Other liabilities	15,113,678
Cumulative results of operations	\$ 36,620,306

The following summarizes, for the period ended September 30, 2004, the full cost of services provided, the related exchange revenues, and the excess of full costs over exchange revenues for the revolving fund:

<b>Records center storage and services</b>	
Intragovernmental gross costs	\$ 64,177,073
Less: Intragovernmental earned revenue	(129,574,547)
Intragovernmental net costs	(65,397,474)
Gross costs with the public	77,268,146
Less: Earned revenues from the public	(3,547,516)
Net costs with the public	73,720,630
<b>Total net records center storage and services program costs</b>	<b>\$ 8,323,156</b>

The segment information is presented prior to intra-agency eliminations and will, therefore, not agree to the Statement of Net Cost for the Revolving Fund, which is shown on a consolidated basis.

***Deferred Maintenance***

NARA owns, builds, purchases and manages assets including the National Archives Building, the National Archives at College Park, the Presidential libraries, and land for future regional archives buildings. All of these support NARA’s stated mission. Recent major renovations have been completed at the National Archives Building and many of the Presidential libraries. The assets include some facilities for which repair and maintenance are needed but have not been performed due to current and prior years budgetary restraints. NARA refers to this unfunded repair and maintenance of facilities and infrastructure as deferred maintenance.



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 repairs to roofs, parking lots, and light systems at four of the Presidential libraries.

NARA uses the condition assessment method to determine the condition of all constructed asset and to identify any deferred maintenance projects. The estimates generally exclude vehicles and other categories of operating equipment.

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

*Good.* Facilities/equipment condition meets established maintenance standards, is 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.

*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.

The condition assessment process at NARA includes contracting with a professional architectural firm to perform Building Condition Reports (BCR) for all NARA-owned facilities on a periodic basis. Facility managers perform condition assessments annually between professional evaluations. All BCR and facility managers' recommendations are included on the project list. Each year, NARA management prioritizes all projects for funding considering strategic goals and operational needs. The projects that are not funded must be reevaluated and resubmitted in future years. At the end of FY 2004, four projects have not been completed and are considered deferred maintenance as shown in the chart below. All of the projects are at buildings and facilities classified as heritage assets. They include roof repairs, parking lot resurfacing, and exterior lighting.

Type of Deferred Maintenance

<i>Category</i>	<i>Method</i>	<i>Asset Condition</i>	<i>Estimated Deferred Maintenance</i>
Buildings	CAS	Good	\$2.7 to \$3 million dollars

In addition, NARA is custodian for numerous holdings as detailed in the RSSI. As custodian, NARA makes tremendous efforts to warrant the continued preservation of these holdings. For example, the condition of electronic records is either stabilized or not stabilized. Stabilized is defined as follows: the physical file containing one or more logical data records has been identified and its location, format, and internal structure(s) specified; logical data records within the file are physically readable and retrievable; the media, the physical files written on them, and the logical data records they contain are managed to ensure continuing accessibility; and an audit trail is maintained to document record integrity. Files that are not stabilized are in the pipeline awaiting processing, unreadable for technical reasons, or unreadable because the media are deteriorating. Currently, over 97 percent of the records have been stabilized, and ongoing work continues to stabilize the rest to the extent possible.

**Supplementary Stewardship Information  
For the Year Ended September 30, 2004**

*Heritage Assets*

	<i>Balance 9-30-03</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance 9-30-04</i>
<b>Record types</b>				
<b>Artifacts (# of items)</b>				
Presidential libraries	526,119	12,495	0	538,614
Office of Regional Records				
Services	20	0	0	20
Washington, DC	1,493	0	2	1,491
<b>Total</b>	<b>527,632</b>	<b>12,495</b>	<b>2</b>	<b>540,125</b>
<b>Traditional holdings (in cubic feet)</b>				
Presidential libraries	235,709	2,402	0	238,111
Office of Regional Records				
Services	634,544	0	(894)	633,650
Washington, DC	2,146,787	76,608	0	2,221,395
Affiliated archives	7,126	72	0	7,198
<b>Total</b>	<b>3,024,166</b>	<b>77,082</b>	<b>(894)</b>	<b>3,100,354</b>
<b>Electronic holdings (in logical data records)</b>				
Presidential libraries	35,308,040	0	0	35,308,040
Washington, DC	4,707,555,362	886,279,338	0	5,593,834,700
<b>Total</b>	<b>4,742,863,402</b>	<b>886,279,338</b>	<b>0</b>	<b>5,629,142,740</b>
<b>Non-record types</b>				
<b>Buildings and structures (in units)</b>				
Presidential libraries	20	0	0	20
Other	2	0	0	2
<b>Total</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>22</b>
<b>Land in pieces</b>		<b>2</b>		<b>2</b>

See accompanying notes to the financial statement for information about multiuse heritage assets included in PP&E. During the year, significant renovations were made to the buildings in the amount of \$14,725,641. Of that amount \$1,237,297 came from gifts. Repairs to Presidential libraries are broken out separately on the Statement of Net Cost as "Heritage asset renovation costs." One of the buildings appearing in "Other" is a multiuse heritage asset included in PP&E on the balance sheet.

As discussed in note 1K, NARA defines heritage assets as possessing significant educational, cultural, or historic characteristics. All Presidential libraries and the National Archives Building are classified as heritage assets, as are all the holdings that contain artifacts, traditional holdings, and electronic holdings. The Archivist determines, through

the 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 U.S.C. 3303a). When in the public interest, the Archivist may accept records for historical preservation (44 U.S.C. 2107). Information about deferred maintenance is contained in the Deferred Maintenance section of Supplementary Information.



APPENDIX A

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

Under the authority of the Inspector General Act, the NARA OIG conducts and supervises independent audits, investigations, and other reviews to promote economy, efficiency, and effectiveness and 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 10 management challenges. Under these are the related audits, investigations, and reviews that were performed in FY 2004.

### 1. Electronic Records Archives (ERA)

NARA, in research and development collaboration with national and international partners, is building an Electronic Records Archives (ERA) with the goal of ensuring the preservation of, and access to, Government electronic records. The pace of technological progress makes formats in which the records are stored obsolete within a few years, threatening to make them inaccessible even if they are preserved intact.

ERA is to be a comprehensive, systematic, and dynamic means of preserving virtually any kind of electronic record, free from dependence on any specific hardware or software. The ERA system is targeted to make it possible for Federal agencies to transfer any type or format of electronic record to the National Archives, so that citizens can locate records of interest and the National Archives can deliver these materials in a usable format.

NARA's challenge is to build a system that will accommodate past, present, and future formats of electronic records. To mitigate the risks associated with development and acquisition of an advanced electronic archival system, Congress directed NARA to reassess the ERA project schedule based on estimates of the amount of work and resources required to complete each task. Beginning on October 1, 2002, NARA was required to submit to Congress a quarterly report on the status of the project's schedule, budget, and expenditures as measured against a reported baseline; a prioritization of project risks and their mitigation efforts; and corrective actions taken to manage identified schedule slippage, cost overruns, or quality problems that might occur. By 2007, NARA plans to have initial operating capability for ERA with 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 one of 24 Government-wide initiatives, the Electronic Records Management (ERM) initiative. 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. For many years, Federal records were created on paper and stored in files and boxes with NARA. Now, electronic records are created by Gov-

ernment agencies at an astounding rate, challenging NARA to find ways to manage and preserve them. In 2002, NARA became a key player in e-Government and managing partner for the e-Government ERM initiative. E-Government is part of President Bush's management agenda aimed at making it easier for citizens to obtain high-quality service from the Federal Government while reducing the cost of delivering those services. During 2002, NARA enlisted partner agencies, developed a detailed plan for accomplishing its objectives, and issued the first guidance on transferring e-mail records to NARA.

NARA and its Government partners are challenged with trying to figure out how to manage electronic records in an electronic manner, 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. One way NARA addresses its mission is by assisting agencies with the management of their records from the time that those records are created. Without effective records management, records needed to document citizens' rights, actions for which Federal officials are responsible, and the historical experience of our nation will be at risk of loss, deterioration, or destruction. According to NARA's Strategic Plan, to minimize these risks, NARA will work in active partnership with the Administration, Federal officials, the Congress, and Federal courts to help them create, identify, appropriately schedule, and manage record material. This will enable the Government to preserve records as long as they are needed to protect rights, ensure accountability, document the national experience, and to destroy records as soon as it is practical to do so when they are no longer needed.

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.

### **4. Information Technology Security**

Since FY 2000, the Archivist has identified computer security as a material weakness in his assurance statements to the President. While corrective steps have been taken, some actions have not been completed, and the agency continues to work on additional measures to strengthen NARA's overall information technology (IT) security posture. 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.

IT security becomes even more critical as NARA increases its visibility through the implementation of e-Government initiatives that expand online services to the public. The more NARA increases electronic access to its services and records, the more vulnerable the agency is to intrusions, viruses, privacy violations, fraud, and other

abuses of its systems. The risk related to IT security is endemic to all Federal agencies and has been identified by the GAO as one of its top 10 high-risk challenges.

*Audits, investigations, and reviews performed in FY 2004:*

- Assessment of the Controls and Security of NARA Classified Systems
- Vulnerability of NARA E-mail to Unauthorized Access
- Evaluation of NARA's Computer Incident Response Capability
- Follow Up Review of OIG Report #00-02, Review of NARA's Process for Investing in IT Projects
- Hacker Exploits NARA IT Vulnerability
- Information on NARA's Public Website Puts NARA at Risk
- Evaluation of the First Performance Period Award Fee Determination Process for the Fixed-Price-Award-Fee (FPAF) Contract with a NARA Contractor
- Investigation of Misuse of Internet by NARA Employee
- Investigation of Child Pornography

## **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. NARA envisions expanding opportunities for individual citizens, educational institutions, and Federal agencies to make use of those records. New technologies are making it easier to reach all users in their homes, schools, and workplaces. NARA must increase partnerships with Government agencies at all levels and with universities and corporate communities to take advantage of new means to bring the holdings of the National Archives to people no matter where they are located.

Mastering this challenge requires that NARA listen to its customers, and improve access to records in ways that meet customer needs and customer service standards. This will require NARA to enhance activities such as creating comprehensive catalogs and indexes for our holdings so that users can find the records they need; make documentary material available through the Internet; improve reference service; and help Presidents at the beginning of their administrations plan for public access to their records in Presidential libraries.

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

NARA-promulgated regulation, 33CFR, 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.

Specifically, in January 2000, NARA revised the regulations for public and private facilities that store Federal records to (1) improve the environment and safeguards for Federal records by incorporating stricter facility standards and advances in sprinkler technology; (2) reflect building design measures that may prevent or minimize fire and water damage to records; and (3) ensure uniform facility standards for all records centers, both public and private, that store and protect Federal records. NARA's challenge is

to ensure compliance with these regulations internally as well as by other agencies that house Federal records.

*Audits, investigations, and reviews performed in FY 2004:*

- Assessment of NARA's Efforts to Comply with New Facility Standards
- Investigation of Train Derailment Carrying IRS Records in NARA's Possession; Contractor Found to be in Violation of Contract

## **7. Preservation Needs of Records**

NARA cannot provide public access to records to support researchers' needs unless it can preserve them for as long as needed. Providing public access to records for future generations requires that NARA assess the preservation needs of the records, provide storage that retards deterioration, and treat or duplicate and reformat records at high-risk for deterioration. NARA must preserve paper records and motion pictures, audio recordings, videotapes, still photography, aerial photography, microfilm and other microforms, and maps and charts in a variety of formats in our holdings. NARA must ensure that its risk management program adequately identifies and addresses all records needing preservation in a timely manner.

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 the following questions: Are we effectively identifying those holdings that are both most at risk and most important in terms of priority. Who makes this determination, upon what criteria is it based, and is it being soundly and properly applied? Are resources and the technology available and sufficient to meet the preservation needs of these records?

## **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. This will present a challenge to NARA, especially as the OMB accelerates the due date for submitting consolidated audited financial statements and other performance reports into a combined Performance and Accountability Report.

The Federal Government has a stewardship obligation to prevent fraud, waste, and abuse; to use tax dollars appropriately; and to ensure financial accountability to the President, the Congress, and the American people. Timely, accurate, and useful financial information is essential for making day-to-day operating decisions; managing the Government's operations more efficiently, effectively, and economically; meeting the goals of the Federal financial management reform legislation (Chief Financial Officers Act); supporting results-oriented management approaches; and ensuring accountability on an ongoing basis.

In identifying improved financial performance as one of its five Government-wide initiatives, the President's Management Agenda (PMA) stated that a clean financial audit is a basic prescription for any well-managed organization and recognized that "most federal agencies that obtain clean audits only do so after making extraordinary, labor-intensive assaults on financial records." Further, the PMA stated that without sound internal controls and accurate and timely financial information, it is not possible to ac-



comply with the President's agenda to secure the best performance and highest measure of accountability for the American people.

The agency will be challenged in its ability to comply with the newly issued Accountability of Tax Dollars Act of 2002 much as Chief Financial Officer (CFO) agencies were challenged in the initial year following the passage of the CFO Act.

*Audits, investigations, and reviews performed in FY 2004:*

- Audit of the National Archives Records Center Revolving Fund FY 2002 Financial Statements
- Audit of the National Archives Trust Fund FY 2002 Financial Statements
- Audit of the National Archives Gift Fund FY 2002 Financial Statements
- Audit of NARA's Interagency Agreements
- Audit of the Transit Benefit Program
- Review of the Contractor Compliance with Government Auditing Standards (GAS) for the Audit of the National Archives Trust and Gift Funds FY 2002 Financial Statements
- Review of the Contractor Compliance with GAS for the Audit of the National Archives Records Center Revolving Fund FY 2002 Financial Statements
- Evaluation of NARA's FY 2003 Management Control Program
- Review of NARA's Water and Sewer Billing Adjustment Charge
- Review of University of Texas Invoice for Utility Costs for the Lyndon B. Johnson Library
- Investigation of NARA Cashier Pocketing Money Received from Customers
- Investigation of NARA Employee Splitting Purchases with Government Credit Card to Exceed Purchase Authority
- Investigation of NARA Employee Failing to Report Money Found at Presidential Library
- Investigation of Misuse of Government Credit Card
- Investigation of Fraud Involving Transit Benefits
- Investigation of Government Purchase Card Abuse

## **9. Physical Security**

NARA must maintain adequate levels of physical security over our facilities and holdings to ensure the safety and integrity of persons and holdings within our facilities. This is especially critical in light of the new realities that face this nation, post-September 11, and the risks that our holdings may be pilfered by persons for a variety of motivations, defaced, or destroyed by fire or other natural disasters.

The Archivist has identified security of collections as a material weakness under the Financial Manager's Financial Integrity Act (FMFIA) reporting process. Our facilities hold records that serve to document the rights of citizens, the actions of Government officials, and the national experience. They also hold a new class of records identified as "Records of Concern" (ROC). These are records that could be useful to individuals or entities in the planning and conduct of hostile acts against this nation.

Three primary challenges facing NARA are to (1) provide quality service to our customers while instituting reasonable internal controls to prevent theft and to maintain

documentation for supporting recovery of disenfranchised holdings and subsequent prosecution of those who would steal from NARA, (2) take every reasonable, appropriate measure possible to limit access to ROC and act expeditiously in coordinating efforts with appropriate law enforcement entities as warranted and appropriate, and (3) protect and safeguard our facilities and the employees who work in them and to mitigate the potential for damage and destruction through both natural and deliberately precipitated acts.

*Audits, investigations, and reviews performed in FY 2004:*

- Audit of a Subcontractor's Proposal for Archives I Stack Lighting
- Investigation of Alleged Misuses of Government Vehicles
- Investigation of Theft of Personal Checks from NARA Facility by NARA Contractor
- Investigation of Employee Bomb Threat Results in Termination and Criminal Conviction
- Investigation of Recovery of Stolen NARA Computer
- Proactive Identification of Taylor Pardon Stolen by former NARA Employee

## **10. Strengthening Human Capital**

The GAO has identified human capital as a Government-wide high risk. Strategic human capital management should be the centerpiece of any serious change management initiative or any effort to transform the cultures of Government agencies. Serious human capital shortfalls, however, continue to erode the ability of many agencies, and threaten the ability of others, to economically, efficiently, and effectively perform their missions. According to GAO, the major problem is the lack of a consistent strategic approach to marshaling, managing, and maintaining the human capital needed to maximize Government performance and ensure its accountability. People are an agency's most important organizational asset. An organization's people define its character, affect its capacity to perform, and represent the knowledge base of the organization. Agencies can improve their performance by the way that they treat and manage their people and building commitment and accountability through involving and empowering employees.

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. According to NARA's Strategic Plan, NARA must include preparation for training the leaders of tomorrow in its plans. Further, NARA must help those current staff members possessing traditional archival training to add skills necessary for working with new technologies. In addition, NARA must replace valuable staff members lost to retirement with others able to deal with records in the electronic information age. Moreover, NARA must partner with universities and professional associations to determine educational requirements for the 21st century.

*Audits, investigations, and reviews performed in FY 2004:*

- Investigation of Employee Discipline for Time and Attendance Abuse
- Investigation of Time and Attendance Errors

APPENDIX B  
**FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT  
REPORT**



*National Archives and Records Administration*

8601 Adelphi Road  
College Park, Maryland 20740-6001

November 1, 2004

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 2004 for the National Archives and Records Administration (NARA).

Pursuant to Section 2 of the Integrity Act, we identified two material weaknesses in fiscal years 2000 and 2001. Two corrective action plans are attached (Enclosures B and C) for material weaknesses in computer security and collections security.

- Enclosure B explains our progress on computer security – reported in FY 2000
- Enclosure C explains our progress on collections security – reported in FY 2001

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.

Pursuant to Section 4 of the Integrity Act, the financial subsystems of NARA generally conform to the objectives detailed in OMB Circular A-127, revised. Although three systems (Order Fulfillment Accounting System; Trust Fund – Gift Fund Financial Review, Analysis, and Reporting System; and Records Center Revolving Fund financial management systems) are not in complete conformance because they fail to meet the financial management system requirements, the non-conformances are not deemed material.

Additional details on NARA compliance with the Integrity Act are provided in Enclosure A.

Respectfully,

JOHN W. CARLIN  
Archivist of the United States

Enclosures (3)

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	5	4	1
2001 Report	1	0	2
2002 Report	0	0	2
2003 Report	0	0	2
2004 Report	0	0	2
Total	6	4	2

**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
2001 Report	0	0	0
2002 Report	0	0	0
2003 Report	0	0	0
2004 Report	0	0	0
Total	0	0	0

**ENCLOSURE B**  
**DESCRIPTION OF MATERIAL WEAKNESS IN MANAGEMENT CONTROLS**

**Computer Security**

As a result of internal information technology (IT) security reviews, a network vulnerability assessment, and Inspector General (OIG) audits during FY 2000, NARA reported four computer security vulnerabilities that, together, made a material weakness that was detailed in the agency's FY 2000 FMFIA report.

During FY 2004, NARA made significant progress in resolving IT Security as an FMFIA material weakness. That progress and the additional actions we still need to take are detailed in the action and validation section below.

To summarize, in FY 2004 NARA updated contingency plans for all 43 of our systems and tested the plans for 41 systems. We updated and tested the disaster recovery plan for NARANET.<sup>1</sup> We created and maintain an up-to-date inventory of all existing NARA classified systems. A Web Based Training module for NARA classified IT systems security was implemented and made available online. NARA has implemented a fully functional IT contingency planning program, and we believe the risks to NARA have been reduced significantly over the past year.

In addition, NARA identified no new significant deficiencies in its FY 2004 Federal Information Security Management Act (FISMA) Report submitted October 6, 2004, to the Office of Management and Budget (OMB). NARA's Inspector General, however, did identify six new significant deficiencies in his FISMA Report, all relating generally to computer security. The six deficiencies were derived from preliminary draft potential findings as part of NARA's FY 2004 financial audit and have not been formally delivered as findings by the auditor. If any of the draft potential findings become actual findings, we will develop corrective action plans as needed. We believe we can make any needed corrections in FY 2005.

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<sup>1</sup> NARANET: a collection of local area networks installed in 34 NARA facilities that are connected to a wide area network at the National Archives at College Park, using frame relay telecommunications, and then to the Internet. NARANET includes personal computers with a standardized suite of software. NARANET was designed to be modular and scalable using standard hardware and software components.

**Title and Description of Material Weakness:** Computer security

**Name of Responsible Program Manager:** L. Reynolds Cahoon, Assistant Archivist for Human Resources and Information Services and Chief Information Officer

**Source of Discovery:** Internal IT security reviews, a network vulnerability assessment, OIG audits, 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 2000

**Original Targeted Correction Date:** FY 2002

**Revised Correction Date:** FY 2005

**Action and Validation Process Used on Original Material Weakness:**

*1. Develop policies and procedures for computer security, including a security plan.*

**Action Taken:** IT security policy documents have been updated, reviewed and approved as NARA Directive 804, "Information Technology Systems Security" and supplements. The supplements are the Management, Operations, and Technical Handbooks. This policy is available to all NARA staff through access to our intranet web site. A search tool was included to assist users with electronic searches of the subject matter. In addition, the IT Security Program Plan received its annual update July 30, 2004. This is no longer a vulnerability. **This action is complete.**

*2. Develop and implement a security awareness program for NARA employees.*

**Action Taken:** In FY 2002, an IT security awareness program plan was developed, an awareness brochure was distributed to all employees, and awareness messages continue to be distributed through the NARA intranet web site, e-mail notices, and the monthly Staff Bulletin. Since January 2002, new employees have received an introduction to IT security during orientation. However, there was no mechanism to easily identify security issues or transmit security information to all NARA sites.

In May 2003, this omission was resolved by identifying NARA Information System Security Officers (ISSO) and alternate ISSOs at all NARA sites to support on-going

security training and awareness efforts. We developed and conducted a training program for all ISSOs, and alternate ISSOs. We conducted two training sessions, one in July and one in August 2003, at the National Archives at College Park for the ISSOs and other individuals who have significant IT security responsibilities at each NARA site. During the training, each ISSO was given a copy of our video titled, "Safe Data, It's Your Job," to show at each of our facilities as part of an agency-wide training program for employees, contractors, and volunteers. ISSOs have also been trained in providing IT security training as part of orientation, so that besides receiving training, new employees have an identified point-of-contact for IT security issues.

In FY 2004, we required all NARA personnel, including contractors, volunteers, Foundation members, and other users of NARA's information systems, to take annual IT security training online. Three types of training were included:

1. All NARANET users with an e-mail address took the general User Awareness training;
2. Users who have access to classified electronic data took the course in Classified Data Basics; and
3. Product owners, IT managers and security professionals took the NARA Managers and Information Systems Security Officer (ISSO) training course.

This training will be repeated annually. **This action is complete.**

**3. *Strengthen firewall protection across the entire network to control inbound and outbound traffic.***

**Action Taken:** This was identified as a weakness in OIG Audit 02-12 and was completed on September 15, 2003. Both the firewall and Intrusion Detection System have been enhanced to increase reporting capabilities, and documented procedures for identifying unauthorized access attempts and correcting associated internal weaknesses have been established. **This action is complete.**

**4. *Formalize, document, and test disaster recovery contingency program.***

**Action Taken:** In FY 2004 we updated IT contingency plans for all 43 IT systems. We tested all but two of the contingency plans. The tests consisted of

either classroom or functional exercises as recommended by NIST Special Publication 800-34, p. 27-28. We also standardized the structure and content of the contingency plans based on NIST 800-34. All plans are now in compliance with this guidance. A system by system business impact analysis was performed as a part of contingency planning in FY 2003 and FY 2004. Impact statements can be found in each contingency plan. Testing for 41 systems was completed on September 30, 2004.

The two contingency plans that were not tested were PRISM, an acquisition support system, and the application services provided to NARA by the General Services Administration (GSA). PRISM was not tested due to the impact of testing on NARA's Acquisition Services Division resources at year end. Testing for PRISM is scheduled to be completed by the end of the first quarter in FY 2005. Applications provided as a service by GSA (Pegasys, Fed Desk TMR, CHRIS, and ETAMS) have not been tested by NARA. Efforts to obtain documentation from GSA are underway.

NARA has defined responsibility for contingency planning, dedicated budget, contracted for resources, and integrated contingency planning metrics in our computer security program. The aforementioned actions were completed as part of implementation and operation of our IT contingency planning program.

In FY 2004 we also updated and tested the disaster recovery plan for NARANET. In FY 2005 we will create and test an overall disaster recovery plan for the National Archives at College Park, where our central IT operations reside. We also will document our disaster and contingency testing methodology.

***5. Ensure that the inventory of classified IT systems is up-to-date, ensure central control for managing the systems, and certify and accredit the systems.***

**Action Taken:** NARA included classified IT systems security as a module in the IT security training. We created and maintain an up-to-date inventory of all existing NARA classified systems. We certified and accredited each classified system, including a risk assessment, systems security plan, security controls testing and vulnerability analysis, and contingency plan. We are developing a new policy directive for classified IT security, which will be finalized and issued in FY 2005.



**Results Indicators**

<b>Major Milestones</b>	<b>Milestone Dates</b>
1. Develop policies and procedures for computer security, including a security plan.	<b>Completed:</b> September 1, 2003
2. Develop and implement a security awareness program for NARA employees.	<b>Completed:</b> September 30, 2003
3. Strengthen firewall protection across the entire network to control inbound and outbound traffic.	<b>Completed:</b> September 15, 2003
4. Formalize, document, and test disaster recovery contingency program.	<b>IT contingency plans:</b> Completed Sept. 30, 2004 <b>Disaster recovery plans:</b> July 31, 2005 <b>Testing methodology:</b> March 31, 2005 <b>IT contingency plan testing:</b> July 31, 2005 <b>Disaster recovery plan testing:</b> July 31, 2005
5. Ensure that the inventory of classified IT systems is up-to-date, ensure central control for managing the systems, and certify and accredit the systems.	<b>Inventory:</b> Completed September 30, 2004 <b>C&amp;A:</b> Completed September 30, 2004 <b>Training:</b> Completed September 30, 2004 <b>Policy:</b> June 30, 2005

**ENCLOSURE C**  
**DESCRIPTION OF MATERIAL WEAKNESS IN MANAGEMENT CONTROLS**  
Collections Security

NARA reported a material weakness in collections security in FY 2001. Corrective steps have been taken, and many actions have been completed.

**Title and Description of Material Weakness:** Collections security

**Name of Responsible Program Manager:** Thomas Mills, Assistant Archives for Regional Records Services

**Source of Discovery:** OIG investigation

**Appropriation/Account:** 110

**Pace of Corrective Action**

**Year Identified:** FY 2001

**Targeted Correction Date:** FY 2005

**Action and Validation Process That Will Be Used**

NARA will take action in five areas to address this material weakness:

**1. Pre-employment screening** (for all staff that have access to archival records)

- Update and strengthen recruitment policies to
  - Verify resume information
  - Require and check references
  - Document all application and screening activities
  - Require application and screening process for volunteers and interns

**2. Staff training and monitoring**

- Train staff and supervisors annually on collections security
- Closely supervise interns and volunteers who work with records
- Require more records personnel to file financial disclosure statements

**3. Security for records storage areas**

- Review and revise, as necessary, security procedures in all records facilities
- Analyze costs and benefits of additional measures such as
  - Separating staff work areas from records storage areas
  - Installing electronic card readers or CCTV systems

- Reducing number of entry and exit points
- Improve enforcement of existing policies on records handling and transport

**4. Records control**

- Compile accurate container counts and location information for all holdings
- Make back-up copies of finding aids and store as vital records
- Isolate in secure storage intrinsically valuable records
- Analyze costs and benefits of marking, duplicating, or otherwise protecting valuable records

**5. Theft prevention and response**

- Monitor auction sites, dealer lists, and other sources for possible stolen items
- Improve communication with collections community about possible stolen items
- Publicize widely incidents of theft and the penalties
- Conduct regular audits of collections security policies and practices

**Results Indicators:**

Major Milestones	Milestone Dates
1. Update and strengthen recruitment policies	<i>Staff: To be completed in FY 2005</i> <b>Volunteers:</b> Completed April 2004
2. Implement annual training program on collections security	Completed. Training held October 2003 and September 2004.
3. Review and revise records security policies	To be completed in FY 2005
4. Compile accurate container counts and locations for all holdings	<b>Pilot Marking Project:</b> To be completed by March 2005 <b>RFID Testing:</b> To be completed in FY 2005
5. Isolate valuable records	To be completed by December 2004

1. **Update and strengthen recruitment policies:** NARA issued interim guidance on the recruitment and use of volunteers on April 23, 2004. This guidance includes requirements for background checks. NARA offices verify resumes, conduct reference checks, and document application and screening activities

for staff position hires where employees have access to records. This practice will be documented in official policy in FY 2005.

2. **Implement annual training program on collections security:** Regional archives directors received security training at their annual conference in October 2003. They will receive refresher training this October. In addition, in our continuing effort to improve collections security, NARA contracted with the Society of American Archivists (SAA) to hold a special security training session for research room and facility supervisors in September 2004. The training included experts from SAA and representatives from the OIG, Space and Security Management Division, and Federal Bureau of Investigation. **This action is complete.**
3. **Review and revise records security policies.** In FY 2004, NARA offices drafted a comprehensive security policy which consolidates and expands upon existing NARA policies and procedures. During the policy development process, each program area reviewed internal records security policies and procedures and made changes to increase security in specific areas. For example, NARA requires that staff workstations be moved out of archives stack areas as soon as possible and tightened restrictions on researcher access to stack areas. NARA units reviewed and implemented a “clean research room” policy to better control what researchers can bring in to rooms where they work with original records. NARA also reviewed procedures for delivering records to researchers in research rooms. Closed circuit televisions were installed, improved or repaired in many locations. New records handling and shipping protocols were developed for moving records nationwide to NARA’s secure underground storage caves. The comprehensive update to NARA’s collections security policies will be completed and issued in FY 2005.
4. **Compile accurate container counts and locations for all holdings:** In FY 2003 NARA improved container location controls, created security copies of records finding aids, and identified and created special storage for additional intrinsically valuable records. In FY 2004, NARA continued analysis of techniques and costs to physically mark records. A pilot project is underway and will be completed by March 2005. NARA also developed contracted with the University of Maryland to investigate the use of Radio Frequency Identification Tag (RFID) technology as a possible means of marking and tracking the location of records. A pilot application of this technology will be tested in FY 2005.
5. **Isolate valuable records.** NARA offices undertook a major effort to identify valuable records and completed the assessment in May 2004. Sufficient storage capacity was installed as needed at each site to secure valuable records. As other

high-value records are identified or accessioned, NARA will ensure that they are stored in secure locations. NARA created web pages containing information to assist the public and manuscript collectors in identifying material that might be estrayed or stolen Federal records. The web pages, which will be posted this fall, include contact information for a specific e-mail address to report suspected stolen items to the OIG. NARA also developed procedures to be followed in checking the accuracy of any information provided from any source about possible stolen or estrayed documents. NARA has an ongoing program to regularly monitor auction sites and dealer catalogs. During FY 2004, NARA worked with a manuscript collector's journal, professional organizations, and a private auction site to share information about the issues and risks involving possible Federal records and documentary materials that may be stolen from the National Archives. There is an ongoing investigation begun in 2004 of selected items that were previously in the holdings of the National Archives and alleged to be stolen and, in some cases, later offered for sale. These items were discovered for sale on an auction site.