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 2005.

1.   Electronic Records Archives (ERA)

NARA and the Lockheed-Martin Corporation, 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 September 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 Government agencies at an astounding rate, challenging NARA to find ways to manage and

preserve them. NARA is 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. 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

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 2005:*
> - Audit of NARA's Intrusion Detection System
> - Review of NARA's Information Technology Investment Management Decide Process Accomplished for the Novell Software Upgrade Project

- NARA's Investment Management Decide Process
- Review of Proposed Modification of the Information Technology Support Services Task Order Security Program Requirements
- Server Vulnerability
- Review of the Management and Operations of NARA's Help Desk
- Review of NARA's Acquisition of Storage Management Software

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 improves 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.

Audits, investigations, and reviews performed in FY 2005:
- Evaluation of NARA's Processes for Handling Personal Information Collected from the Public

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.

7. Preservation Needs of Records

The Archivist has identified preservation as a material weakness under the FMFIA reporting process. 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.

NARA holdings grow older daily and are deteriorating. 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?

> *Audits, investigations, and reviews performed in FY 2005:*
> * Evaluation of NARA's Preservation Program

8.   Improving Financial Management

By inclusion under the Accountability of Tax Dollars Act of 2002, NARA is required to prepare audited financial statements in compliance with prescribed standards, subject to independent audit.

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

> *Audits, investigations, and reviews performed in FY 2005:*
> * Audit of the National Archives Records Center Revolving Fund FY 2003 Financial Statements
> * Audit of the National Archives Trust Fund FY 2003 Financial Statements
> * Audit of the National Archives Gift Fund FY 2003 Financial Statements
> * Evaluation of NARA's FY 2004 Management Control Program
> * Audit of the National Archives and Records Administration Consolidated Financial Statements FY 2004
> * Audit of the Travel Card Program
> * Prompt Payment Audit

- Review of NHPRC Grants
- Audit of the National Archives Trust Representational Fund

9.   Physical Security

NARA must maintain adequate levels of physical security over our facilities and hold-
ings 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 custo-
mers 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 2005:
- NARA's Ability to Inspect Employee's Personal Property

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 initia-
tive 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 Govern-
ment 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.

APPENDIX B
FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT REPORT

National Archives and Records Administration

8601 Adelphi Road
College Park, Maryland 20740-6001

October 20, 2005

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 2005 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. An additional weakness was identified in fiscal year 2005. A summary of actions taken to address the computer security weakness is included as Enclosure B. Two corrective action plans are attached (Enclosures C and D) for material weaknesses in collections security and preservation of textual records.

- Enclosure B summarizes actions on computer security – closed in FY 2005
- Enclosure C explains our progress on collections security – reported in FY 2001
- Enclosure D provides a corrective action plan on preservation of textual records – reported in FY 2005.

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,

ALLEN WEINSTEIN
Archivist of the United States

Enclosures (4)

ENCLOSURE A
STATISTICAL SUMMARY OF PERFORMANCE

Section 2. Management Controls

Number of Material Weaknesses

	Number reported for the first time in	For that year, number that has been corrected:	For that year, number still pending
Prior Years	6	5	1
2002 Report	0	0	1
2003 Report	0	0	1
2004 Report	0	0	1
2005 Report	1	0	2
Total	7	5	2

Section 4. Financial Management Systems

Number of Material Non-conformances*

	Number reported for the first time in:	For that year, number that has been corrected:	For that year, number still pending
Prior Years	0	0	0
2002 Report	0	0	0
2003 Report	0	0	0
2004 Report	1	0	1
Total	1	0	1

* The 2004 non-conformance is in a financial services provider system no longer used by NARA.

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ENCLOSURE B
DESCRIPTION OF MATERIAL WEAKNESS IN MANAGEMENT CONTROLS

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

<u>**Validation Process Used:**</u>   All recommendations made to address the four computer security vulnerabilities cited in FY 2000 were implemented. Documentation was supplied to the OIG as it became available. Final documentation related to classified IT systems and IT disaster recovery was provided in August 2005.

<u>**Results Indicators:**</u>

Major Milestones	Milestone Dates
1. Develop policies and procedures for computer security, including a security plan.	**Completed:** September 1, 2003
2. Develop and implement a security awareness program for NARA employees.	**Completed:** September 30, 2003
3. Strengthen firewall protection across the entire network to control inbound and outbound traffic.	Documentation provided for initial efforts; further work will be done in FY 2006.
4. Formalize, document, and test disaster recovery contingency program.	**Completed:** July 14, 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.	**Completed:** July 18, 2005

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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. As described below, improvement in collection security is an ongoing and high priority concern, which will result in continuing reduction of risks.

Title and Description of Material Weakness: Collections security

Name of Responsible Program Manager: Thomas Mills, Assistant Archivist for Regional Records Services

Source of Discovery: OIG investigation

Appropriation/Account: 110

Pace of Corrective Action
    Year Identified: FY 2001
    Targeted Correction Date: FY 2006

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

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- 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	**Staff:** To be completed in FY 2006 **Volunteers:** Completed April 2004
2. Implement annual training program on collections security	**Completed.** Managers' training held October 2003 and September 2004. Managers held staff training in 2005. Training review and verification process to be completed in 2006. Additional training for security guards to be completed in 2006.
3. Review and revise records security policies	To be completed in FY 2006.
4. Compile accurate container counts and locations for all holdings	**Pilot Marking Project:** Completed in FY 2005. Evaluate the feasibility of extending the marking program to Regional Archives and Presidential Libraries in FY 2006. **RFID Testing:** Completed in FY 2005. Study concluded that this technology is not a viable option.
5. Isolate valuable records	**Completed.** Sufficient storage capacity was installed at each site as needed to secure valuable records. Developed procedures to be followed in checking the accuracy of information about possible stolen or strayed documents. NARA has an ongoing program to regularly monitor auction sites and dealer catalogs. We will evaluate the staffing of the auction site monitoring program in FY 2006. NARA will continue a pilot project begun in 2005 with the National Coalition for History to review auction sites to locate Federal, state and local government records that may be strayed or stolen.

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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 FY 2006.

2. **Implement annual training program on collections security:** Regional archives directors received security training at their annual conference in October 2003. 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. Beginning in FY 2005, program managers and supervisors are responsible for training staff on an annual basis. The OIG has suggested that training focus more attention on the appropriate placement of surveillance cameras. In addition, the OIG has recommended additional training for staff on dealing with new technology products (i.e., laptops, scanners, etc.) that are permitted in research rooms, and for security guards to elevate knowledge of the risk of theft and appropriate responses by guards to reduce risk.

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 OIG has also recommended that NARA evaluate policies for searching belongings of individuals who are leaving research rooms. The comprehensive update to NARA's collections security policies will be completed and issued in FY 2006.

4. **Compile accurate container counts and locations for all holdings:** The OIG has identified the lack of item-level control as a significant impediment to document security. This is a difficult problem for NARA, as for all archival repositories, because of the huge number of individual documents in our holdings. Inventory controls are most often instituted at the container level, and sometimes at the folder level, but not at the document level. In FY 2003 NARA improved container location controls, created security copies of records finding aids, and identified and created special storage for intrinsically valuable records. In FY 2004, NARA continued analysis of techniques and costs to physically mark records. A pilot marking project was completed in 2005, and marking protocols were implemented at Archives I and II. However the marking program is time-consuming and resource intensive, and therefore confined to high-risk documents. In 2006, we will evaluate the feasibility of extending the marking program to regional archives and Presidential libraries. NARA also 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

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location of records. The study concluded that RFID technology is not a viable option, but technology improvements should be monitored in the future.

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 maintains web pages containing information to assist the public and manuscript collectors in identifying material that might be strayed or stolen Federal records. The web pages 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 strayed documents. NARA has an ongoing program to regularly monitor auction sites and dealer catalogs. This program is staffed primarily by student interns. The OIG has recommended that professional archivists be assigned staffing responsibility. We will evaluate the staffing of the auction site monitoring program in FY 2006. NARA also began a pilot project in 2005 with the National Coalition for History to review auction sites to locate Federal, state, and local government records that may be strayed or stolen. During FY 2005, an investigation begun in 2004 resulted in the conviction of an individual who had stolen numerous Civil War era documents. This case was widely publicized, and an individual who helped identify the thief was recognized by the Archivist and the Inspector General. NARA staff continue to collaborate with manuscript collectors and similar professional organizations, and private auction sites to share information about the issues and risks involving possible Federal records and documentary materials that may be stolen from the National Archives.

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ENCLOSURE D
DESCRIPTION OF MATERIAL WEAKNESS IN MANAGEMENT CONTROLS

Title and Description of Material Weakness: Preservation Program

Name of Responsible Program Manager: Michael J. Kurtz, Assistant Archivist for Records Services, Washington DC

Source of Discovery: OIG audit and the Program Manager's assurance statement to the Archivist of the United States

Appropriation/Account: 110

Pace of Corrective Action on Original Material Weakness

    Year Identified: FY 2005
    Original Targeted Correction Date: FY 2007

Action and Validation Process That Will Be Used: NARA will take action in four areas to address this material weakness.

    1. Identification of at-risk records

        ▪ Refine risk assessment process
            NW, NR, NL and NWT are working to align the levels of risk and processes used to apply those criteria. The offices will work together to align the Risk Assessment Instructions and Definitions for all three offices.

        ▪ Develop usage criteria that is standard across NARA program areas
            A comparison of usage criteria for assessing preservation risk is being done collaboratively by the three offices NW, NR and NL. Differences in the usage criteria will be reconciled to ensure consistency.

        ▪ Develop and implement staff training
            NR and NL will work with NW to update training to reflect consistency and changes in the at-risk criteria and integrated Instructions and Definitions.

    2. Facilities standards

        ▪ Create a Capital Improvements Plan
            NAS, working with NWT and the program offices, will survey archival facilities owned or leased by NARA in order to complete a NARA 1571 Compliance Checklist review for each of the NARA archival facilities. The survey will establish whether the facility is compliant and, if not, what is required to make it compliant with the standard or whether the facility is capable of being made compliant. Costs will be developed reflecting proposed actions at facilities that can be made compliant. The survey information as well as data from completed Building Condition Reports that are prepared on a five-year cycle for NARA-

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owned buildings will feed into the Capital Improvements Plan. It will also include planned space changes to NARA-owned buildings such as renovations or expansions. All of this information will be analyzed to determine funding priorities.

3. Performance Measurement

- Develop a performance metric to track for medium- and low-risk projects
    NARA will develop a method to ensure that preservation work on medium- and low-risk projects is tracked.

4. Budget

- Develop budgetary resources for baseline preservation requirements.
    NW, in cooperation with NR and NL, has begun the process of identifying budgetary resources required for preservation, and has submitted the budget initiative – Preserving Textual Records – to the Archivist for consideration in the FY 2007 Budget Request. A second budget initiative will be submitted for the FY 2008 Budget.

Results Indicators:

Major Milestones	Milestone Dates
Refine Risk Assessment Process	April 30, 2006
Develop risk assessment usage criteria that is standard across NARA program areas.	October 31, 2005
Develop and implement staff training for identification of at-risk records	October 31, 2006
Create a Capital Improvements Plan	August 1, 2006
Develop a performance metric to track medium- and low-risk	October 1, 2006
Develop budgetary resources for baseline preservation requirements for FY 2007 Budget Request	**COMPLETED:** September 16, 2005
Develop budgetary resources for baseline preservation requirements for FY 2008 Budget Request	October 1, 2006

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APPENDIX C
PROGRESS ON 2004 AUDIT RECOMMENDATIONS

The NARA Inspector General (OIG) contracted with Clifton Gunderson, LLP (CG) to audit financial statements as well as internal controls and operations. CG performed an audit of the consolidated financial statements of the National Archives and Records Administration as of September 30, 2004. In its final report dated November 1, 2004, CG reported certain matters involving the internal control and its operation that were considered to be reportable conditions, four of these were considered to be material weaknesses. CG made 39 recommendations to correct these conditions. (The 2004 Internal Auditor's Report may be found on page 97 of NARA's 2004 Performance and Accountability Report.)

Area 1: Financial Reporting

CG noted this area a material weakness and made six recommendations related to financial statement preparation; timely recording, reconciliation, and analysis; general ledger system setup and posting model definitions; and integrated financial management system. They are:

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 U.S. Standard General Ledger (USSGL).

5. Develop standard procedures to identify Federal and non-Federal transactions if the general ledger (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 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 system.

Through September 30, 2005, NARA has provided documentation to the OIG and CG to satisfy numbers 1 through 5 above.

Area 2: Property, Plant, and Equipment (PPE)

CG noted this area a material weakness and made six recommendations related to accounting for PPE and deferred maintenance. They are:

7. Continue to identify assets that need to be capitalized rather than expensed.

8. Develop standard report formats for all project mangers 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.

Through September 30, 2005, NARA has provided documentation to the OIG and CG to satisfy all of the above.

Area 3: Investment in Non-Federal Securities

CG noted this area a material weakness and made two recommendations. They are:

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.

Through September 30, 2005, NARA has provided documentation to the OIG and CG to satisfy number 12 above.

Area 4: Information Technology (IT)

CG noted this area a material weakness and made 21 recommendations related to software development and change controls, entity-wide security program, controls to protect its information; and contingency planning. They are:

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.

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 the service provider.

19. Revise Plan of Actions and Milestones (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 used by NARA.

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 recertification process. Also, all NARANET user accounts should be supported by documented approved access requests.

23. Enforce Directive 804, and ensure that users are recertified. 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. Use 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 in needed to perform their job responsibilities, and remove any unnecessary access. Also, management should develop policies and procedures to recertify 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 recertification process, management should review all Comprehensive Human Resources Information System (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.

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 reoccurrence in future tests.

33. The memorandum of understanding (MOU) should be revised to incorporate measures to be taken by NARA and the service provider [Pegasys] 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.

Through September 30, 2005, NARA has provided documentation to the OIG and CG to satisfy numbers 14 through 20, 22 through 25, 27, 29, and 30 through 34 above. Partial documentation has also been provided for recommendations 26 and 30.

Area 5: Payroll

CG noted this area a reportable condition and made four recommendations. They are:

35. Performing a monthly reconciliation of leave balances reported in the time and attendance (T&A) report and the leave and earnings statement (LES).

36. Enforce the policy of signing and dating the Supervisor Time and Attendance Certification Report.

37. Record credit time earned on Electronic Time and Attendance Management System (ETAMS).

38. Enforce the policy of signing or initialing of the time and attendance log by the employee and the supervisor.

Through September 30, 2005, NARA has provided documentation to the OIG and CG to satisfy numbers 35 through 38 above.

Area 6: Cost Allocation Methodology

CG noted this area a reportable condition and made one recommendation. It is:

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

Through September 30, 2005, NARA has provided documentation to the OIG and CG to satisfy this recommendation.