



National Archives and Records Administration

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Date : December 9, 2005

Reply to Office of Inspector General (OIG)
Attn of

Subject Audit Report No. 06-06 Clifton Gunderson LLP (CG) Audit of the National Archives and Records Administration FY 2005 Financial Statements

To : Allen Weinstein, Archivist of the United States (N)

Enclosed for your review are the reports prepared by Clifton Gunderson, LLP (CG) for the subject audit. CG issued a qualified opinion for the effects of adjustments, if any, as might have been necessary had they been able to perform adequate audit procedures on obligations and outlays related to investments. NARA did not record obligations and outlays for purchases and redemption in its non-federal investments, as required by OMB Circular A-11, *Preparation, Submission, and Execution of Budget*.

CG reported 1 material weakness and 4 reportable conditions resulting in 25 recommendations that if implemented, should correct the matters reported.

- a. The material weakness is in investments. NARA did not record obligations and outlays for purchases and redemption in its non-federal investments, as required by OMB Circular A-11, *Preparation, Submission, and Execution of Budget*.
- b. Information technology is considered a reportable condition. CG reported concerns with software development and change controls, entity-wide security program, controls to protect information and contingency plans.
- c. Financial reporting is another reportable condition. CG reported concerns with the general ledger system setup and posting model definitions, obligations review and the lack of an integrated financial management system.
- d. Property, plant and equipment is considered a reportable condition. CG noted that costs associated with internally developed software were not maintained in the cost center designed to track the software development phases and processes to ensure compliance with the Federal accounting capitalization standard.
- e. Payroll is also considered a reportable condition. CG noted that controls over the maintenance of supporting documentation, validation and authorization of payroll related transactions need to be strengthened.

CG also reported that NARA's financial management systems did not substantially comply with the Federal financial management systems requirements 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 (GAGAS) 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 3, 2005 and the conclusions expressed in the report. However, our review disclosed no instances where CG did not comply, in all material respects, with GAGAS.

In accordance with NARA 1201, your written response to each recommendation is due within 45 days. We appreciate the cooperation and assistance NARA extended to CG and my staff during the audit. If you have any questions, please contact me or James Springs, Assistant Inspector General for Auditing at (301) 837-3000.

Paul Brachfeld
Inspector General