



National Archives and Records Administration

# *FY 2014* SUMMARY REPORT



*Making Access Happen*

February 17, 2015

## NATIONAL ARCHIVES AND RECORDS ADMINISTRATION MISSION STATEMENT AND STRATEGIC GOALS

### MISSION STATEMENT

We drive openness, cultivate public participation, and strengthen our nation's democracy through public access to high-value government records.

*NARA's mission is to provide public access to Federal Government records in our custody and control. Public access to government records strengthens democracy by allowing Americans to claim their rights of citizenship, hold their government accountable, and understand their history so they can participate more effectively in their government.*

### STRATEGIC GOALS

#### Make Access Happen

*Public access is NARA's core purpose and is the ultimate outcome of all of NARA programs and activities. NARA will reach beyond the traditional role of making records available for others to discover and will make access happen by providing flexible tools and accessible resources that promote public participation.*

#### Connect with Customers

*NARA will continuously improve customer service, cultivate public participation, and generate new understanding of the importance of records in a democracy. NARA will continuously engage with and learn from all customers: individuals, organizations, and other Federal agencies.*

#### Maximize NARA's Value to the Nation

*Public access to government information creates measurable economic value, which adds to the enduring cultural and historical value of NARA records. NARA will continue to be an effective steward of the government resources that it holds in trust and will constantly strive to be a responsive, 21st-century government agency.*

#### Build our Future Through Our People

*NARA will build a modern and engaged workforce, develop the next generation of leaders, and encourage employees to collaborate, innovate, and learn. NARA will provide a workplace that fosters trust, accepts risk, and rewards collaboration.*

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The National Archives has chosen to produce an Agency Financial Report (AFR) and Annual Performance Report (APR) for FY 2014, in place of the Performance and Accountability Report. NARA published its FY 2014 APR with its FY 2016 Congressional Budget Justification and posted it on NARA’s web site at [www.archives.gov/about/plans-reports/](http://www.archives.gov/about/plans-reports/) in February 2015. This summary report is a synopsis of the more comprehensive AFR and APR.

## LETTER FROM THE ARCHIVIST OF THE UNITED STATES



I am pleased to present the FY 2014 Summary Report of the National Archives and Records Administration (NARA). Our report provides Congress and the American people with a clear, concise summary of NARA's financial and performance results for FY 2014.

One of NARA's greatest accomplishments in FY 2014 was the publication of our new FY 2014–2018 Strategic Plan. Our plan establishes a bold, new vision that aligns NARA resources toward an overarching aspiration: Provide public access to Government records. "Public access" is our single unifying objective that drives increased coordination among NARA programs, stimulates better and more meaningful engagement with the public, and leads NARA to maximize the value of our limited resources.

Our new Strategic Plan and the accomplishments highlighted below demonstrate NARA's long-standing commitment to an open and transparent government. NARA delivers on the promise of an Open Government by ensuring that high-value Federal Government records are retained by the agencies who created them, transferred to our custody when appropriate, and made publicly available as quickly as possible once in our custody.

We take our responsibilities seriously and routinely review our business processes and internal control environment to detect, mitigate, and address control weaknesses and management challenges. Our Strategic Plan provides a roadmap to help us address our challenges, maximize our opportunities, and continue to transform NARA into a modern and effective platform for delivering a twenty-first century Government.

### Key Accomplishments

- NARA's latest Open Government Plan, issued in FY 2014, identifies more than 160 public engagement projects on more than 15 social media platforms, as well as multiple initiatives and programs that support transparency across Government. Four of NARA's transparency programs were highlighted in the Open Government National Action Plan of the United States, which received recognition in the 2014 global awards competition hosted by the multi-national Open Government Partnership.
- In December 2013, the National Declassification Center (NDC) completed quality assurance reviews on over 351 million pages of historically valuable, classified records. Reaching this milestone is the result of several years of effort to improve our business processes and expedite the multiagency review of classified records. Because of the commitment of the NDC and our partner agencies, millions of pages of previously classified Federal Government records will be publicly available for the first time.

- The new David M. Rubenstein Gallery opened in FY 2014. The gallery is a permanent exhibition at the National Archives building in Washington, DC, which was made possible by a generous gift from philanthropist David M. Rubenstein. It hosts NARA's first exhibition about the evolution of the rights of women, immigrants, and African Americans. Museum exhibitions provide a unique opportunity to engage the public in America's democracy through traditional displays of essential historical documents, interactive multimedia tools, and public programs based on the exhibit.
- In September 2014, the Office of Management and Budget (OMB) and NARA jointly issued new guidance to assist Federal agencies in managing emails that are Federal records. This guidance provides timely support to agencies that are working to modernize their records management practices in accordance with the Managing Government Records Directive (OMB M-12-18), which requires that all email be managed electronically by FY 2016.
- In FY 2014, Founders Online celebrated its first anniversary and over 400,000 visitors. Founders Online is a joint project by NARA's National Historical Publications and Records Commission and the University of Virginia that provides free, on-line access to digitized papers of six of America's Founding Fathers: George Washington, Benjamin Franklin, Alexander Hamilton, John Adams, Thomas Jefferson, and James Madison.

## Management Challenges and Opportunities

The NARA Inspector General has identified ten challenges, detailed in the "Other Information" section of this report, which present opportunities for improvements. Management is aware of these issues and is committed to working collaboratively with our Inspector General to either mitigate or resolve these risks.

The greatest challenge for NARA is the appropriate preservation of the billions of records that we hold in trust for the American people. These records come in a wide variety of media, including paper and photographs, as well as electronic, audio, and video records in hundreds of formats, many of which are now obsolete. NARA continues to face the challenge of the sheer volume of records that must be maintained in formats and conditions that allow them to be made accessible to the public today and in perpetuity. NARA is committed to developing the strategy and controls necessary to meet our preservation challenge; however, preserving textual archival records remained a material weakness for NARA at the end of FY 2014.

NARA faces additional challenges in the areas of storing archival records, processing them for public access, managing electronic records, and providing appropriate physical security for our holdings. As a result of a multi-year effort to improve physical controls, monitoring, and agency attitudes about the security of our holdings, NARA downgraded holdings protection from a "material weakness" to a "reportable condition" in FY 2014. NARA will continue to review controls over the security of our holdings and will institute new measures as needed. We take the safety and protection of persons and holdings within our facilities seriously and will remain vigilant in protecting them.

Based on the status and progress that NARA has made to address its challenges and risks in FY 2014, I am able to provide a qualified statement of assurance that—with the exception of a material weakness in the preservation of textual archival records—NARA's internal controls are meeting their intended objectives, as defined by OMB Circular A-123. This assessment is based on the results of internal controls testing by NARA offices, as well as audits and evaluations conducted by the Government Accountability Office, NARA's Office of Inspector General, and other audit entities. I have also considered the advice of key management officials and our Inspector General in preparing this statement of assurance.

Additional details on our remaining material weakness and associated action plan, as well as progress made during FY 2014, are provided in our Federal Managers' Financial Integrity Act (FMFIA) report located in the "Other Information" section.

Our FY 2014 accomplishments are the culmination of the commitment and dedicated efforts of NARA's employees, who take pride in our mission. We will strive to efficiently and effectively overcome our challenges, as we continue to fulfill our mission to ensure timely, effective, and meaningful public access to the records of the U.S. Government.



David S. Ferriero  
Archivist of the United States

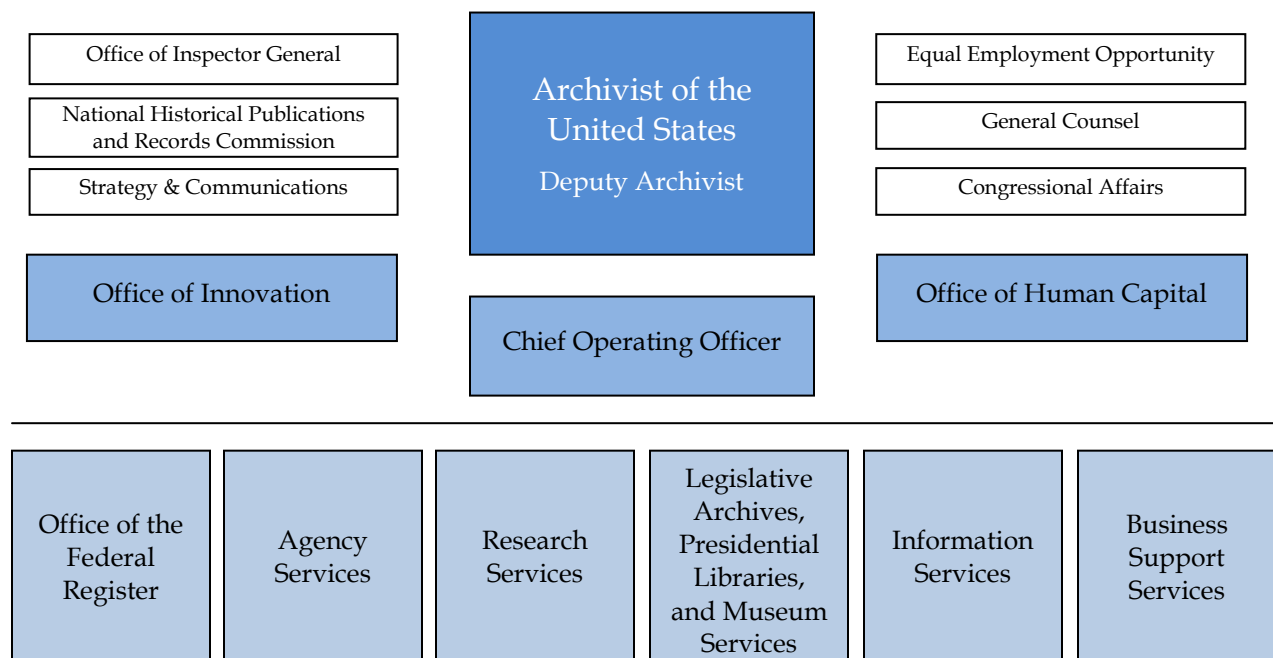
## SECTION 1: MANAGEMENT’S DISCUSSION AND ANALYSIS

### NARA Organization

The National Archives and Records Administration ensures continued public access to historically valuable Federal records through services provided to other Federal agencies and the public. NARA is organized around customer segments, which ensures that resources and management attention are focused on delivering coordinated and effective service to all stakeholders.

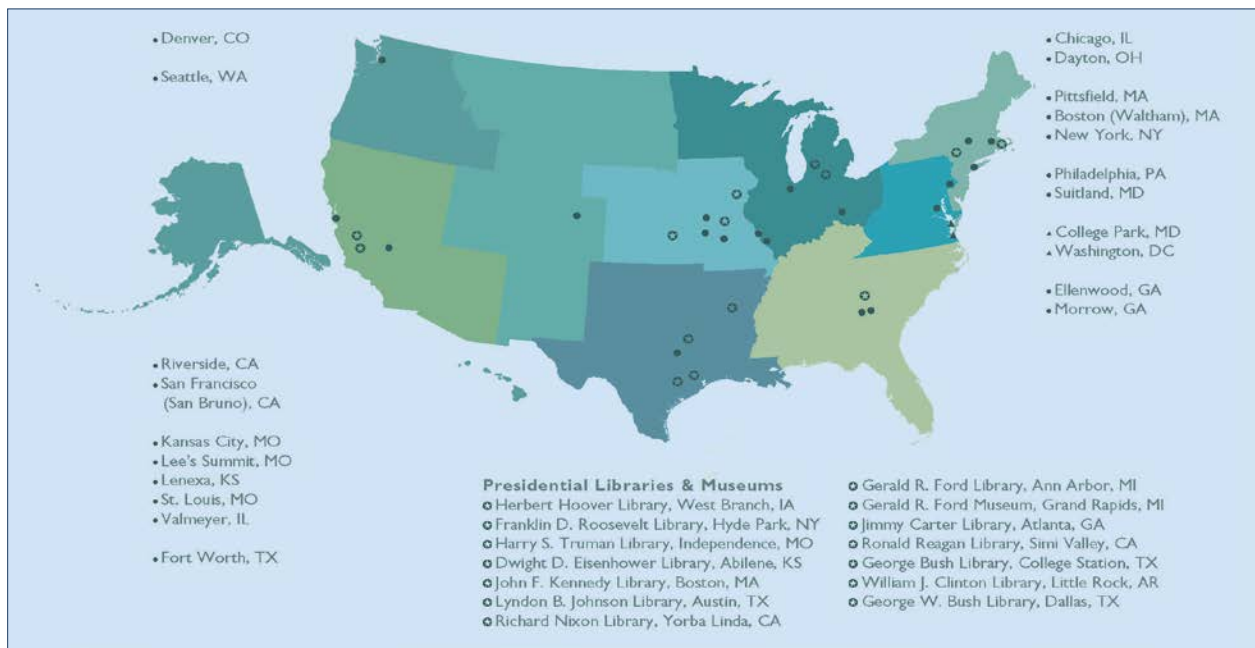
NARA’s core operations are organized into the Office of the Federal Register (OFR) and five “Services”: Agency Services, Research Services, Legislative Archives, Presidential Libraries, and Museum Services, Information Services, and Business Support Services. NARA Services and the OFR report to the Chief Operating Officer, who reports to the Archivist of the United States. The Office of Innovation, Office of Human Capital, and six staff offices, including the independent Office of Inspector General, report directly to the Archivist. The National Historical Publications and Records Commission (NHPRC) is an independent body that awards grants to non-Federal archives and institutions; the Archivist is the Chair of the NHPRC, and staff who support the Commission report to him.

#### National Archives and Records Administration



- *The Office of the Federal Register* fulfills the Archivist’s responsibilities to publish the daily Federal Register, the Code of Federal Regulations, and the Statutes-at-Large, and other statutory requirements.
- *Agency Services* leads NARA efforts to meet the records management needs of Federal agencies and represents the public’s interest in the transparency of those records.
- *Research Services* provides world-class service to researchers and citizens wanting to access the records of the National Archives and preserves archival holdings for the benefit of future generations.
- *Legislative Archives, Presidential Libraries, and Museum Services* focuses on the records needs of the White House and Congress, researchers who make use of Presidential and Congressional records, and museum visitors, educators, and students.
- *Information Services and Business Support Services* improve NARA’s efficiency and effectiveness by providing tools, services, facilities, and expertise that support agency operations.

NARA delivers its mission through a nationwide network of facilities, serving other Federal agencies and the public.





## Performance Highlights by Strategic Goal

### Make Access Happen

NARA met its processing goal in FY 2014, ending the year with 68 percent of its archival holdings processed. NARA processes archival records to identify statutory and other access restrictions, withhold restricted records, and make the remaining records available for public access. NARA processed over 284,000 cubic feet of records in FY 2014, accepted over 80,000 cubic feet of new, unprocessed archival records, and ended the year with 1.3 million cubic feet of unprocessed records. NARA will continue to focus management attention on the processing goal and is currently reviewing its business processes to identify opportunities to improve efficiency and expedite the release of archival records to the public.

NARA also met its FY 2014 description goal, increasing the percentage of traditional (non-electronic) archival records described in the on-line catalog to 86 percent. On-line archival descriptions provide researchers with information necessary to search NARA holdings remotely, discover relevant records, and quickly access records when they visit NARA public research rooms. NARA has demonstrated significant progress over FY 2013 performance and is on target to meet the agency's goal to describe 95 percent of its traditional archival holdings on-line by FY 2016.

| Performance Goals   | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Target | 2014 Actual | Status |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------|
| Increase the percentage of archival holdings processed                                  | 47          | 53          | 60          | 65          | 67          | 68          | Met    |
| Increase the percentage of traditional archival holdings described in an online catalog | 70          | 71          | 77          | 80          | 85          | 86          | Met    |

### Connect with Customers

While NARA did not meet its timeliness goal for responding to requests for military service separation records in FY 2014, the actual performance was only slightly below the FY 2014 target. The National Personnel Records Center (NPRC) is a central repository for military and civilian personnel, medical, and related records. The NPRC stores approximately 60 million official military personnel records of veterans of all branches of service and receives approximately 2,000 requests for military separation

records each day. Most requests for separation records are from veterans who need to demonstrate honorable service in order to qualify for benefits. NARA strives to respond to 95 percent of these requests within 10 working days or less.

NARA also just missed its FY 2014 goal for customer satisfaction with the work of the NPRC in handling requests for military personnel and medical files. This measure is based on the results of a semi-annual survey, conducted in March and September of each year. NARA's FY 2014 actual performance is only one percent below the goal and is consistent with prior-year performance. NARA always strives for high levels of service, and will add new employees to NPRC customer service functions in FY 2015.

Our existing processes could not keep up with the increase in number and complexity of the Freedom of Information Act (FOIA) requests in FY 2014. NARA did not meet its goal for responding to FOIA requests within 20 days in FY 2014. Under FOIA (5 U.S.C. 552, as amended), any person may request and obtain access to Government information in Executive Branch agency records, subject to some restrictions. NARA responds to FOIA requests for its own operational records as well as requests for access to NARA's holdings of over 11 billion pages of archival records. FOIA requests received by NARA nearly doubled in FY 2014, growing from 12,000 requests in FY 2013 to almost 22,000 in FY 2014 and – within that amount – NARA experienced a 10 percent increase in complex requests (greater than 1,000 pages). NARA has since established a new “triage” process to quickly identify requests for records that are already publicly available and do not require screening; NARA has also established an internal working group to specifically focus on improving processes and technology associated with responding to FOIA requests.

| <b>Performance Goals</b>  | <b>2010 Actual</b> | <b>2011 Actual</b> | <b>2012 Actual</b> | <b>2013 Actual</b> | <b>2014 Target</b> | <b>2014 Actual</b> | <b>Status</b> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------|
| Sustain the percentage of separation requests answered within 10 working days                 | 94                 | 93                 | 92                 | 95                 | 95                 | 94                 | Not Met       |
| Increase the percentage of customers satisfied with retrieving military records from NPRC     | 85                 | 92                 | 90                 | 86                 | 87                 | 86                 | Not Met       |
| Increase the percentage of FOIA requests for Federal records answered within 20 working days. | 88                 | 90                 | 83                 | 82                 | 85                 | 79                 | Not Met       |

Maximize NARA’s Value to the Nation

NARA met its FY 2014 goal of increasing the number of records management programs in other federal agencies that NARA categorized as “low risk”, based on their responses to the annual Records Management Self Assessment (RMSA). NARA requires Federal agencies to assess the effectiveness of their records management practices on an annual basis, through the RMSA tool. NARA validates agency responses – by requiring supporting documentation and through follow-up interviews – and assigns a risk category based on the validated responses. “Low risk” agencies have 90 percent or higher positive responses to assessments of their records management policies, practices, and performance. NARA attributes the steady increase in “low risk” agencies to enhancements to the records management policies and training that NARA provides to other agencies, improved coordination between NARA and agency records officers, and increased management attention resulting from the issuance of OMB Memorandum M-12-18, *Managing Government Records Directive*.

| Performance Goals  | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual | 2014 Target | 2014 Actual | Status |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------|
| Increase the percentage of agencies in the low risk category of the Records Management Self-Assessment | N/A         | 6           | 10          | 20          | >20         | 29          | Met    |

Build Our Future through Our People

In FY 2014, NARA achieved its goal for employee empowerment, openness, and inclusion, as measured by employee responses in the annual Employee Viewpoint Survey (EVS). In FY 2014, 52 percent of employees responded “Agree” or “Strongly Agree” to EVS questions related to NARA programs, activities, and attitudes related to employee empowerment, openness, and inclusion. NARA aspires to be a more agile and innovative agency, which requires an organizational culture that allows all employees to participate and contribute to their full potential. In FY 2014, NARA improved its learning and development program and expanded on-line course offerings, to provide more opportunities for employees to strengthen their skills and gain new capabilities. NARA implemented a number of initiatives to improve staff communications. In FY 2015, NARA will continue to focus on employee empowerment and will expand efforts to share information with staff nationwide.

In addition, NARA met its FY 2014 diversity goal, measured by employee responses to EVS questions related to workplace diversity. In FY 2014, 56 percent of NARA

employees responded “Agree” or “Strongly Agree” to EVS questions about NARA diversity and inclusion programs, as well as Management’s commitment to a workforce representing all segments of society. In FY 2014, NARA established new employee affinity groups, giving employees of similar backgrounds an opportunity to interact, celebrate, and share their culture or characteristics with other employees, to promote greater diversity in the workforce.

| <b>Performance Goal</b>  | <b>2010<br/>Actual</b> | <b>2011<br/>Actual</b> | <b>2012<br/>Actual</b> | <b>2013<br/>Actual</b> | <b>2014<br/>Target</b> | <b>2014<br/>Actual</b> | <b>Status</b> |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------|
| Improve NARA’s average score on EVS questions about empowerment, openness, and inclusion | 55                     | 54                     | <b>51</b>              | <b>51</b>              | >51                    | <b>52</b>              | Met           |
| Improve NARA’s average score on the EVS questions about workforce diversity.             | 57                     | 56                     | <b>55</b>              | <b>55</b>              | >55                    | <b>56</b>              | Met           |

## Financial Highlights

NARA's financial statement auditor, CliftonLarsonAllen LLP, issued an unmodified ("clean") audit opinion on NARA's financial statements for the fiscal year ending September 30, 2014. The complete financial statements, footnotes, and auditors reports are presented in the Financial Section of this report.

NARA's financial statements consolidate the activity of the six Fund accounts under NARA's control. The activities of General Funds are financed by appropriations from Congress. The activities of the Records Centers Revolving Fund and the National Archives Trust and Gift Funds are financed by revenues collected from other Federal agencies and the public, respectively, and do not receive Congressional appropriations.

### General Funds

*NARA Operating Expenses appropriation, Archives and Records Management Activities* provides for the costs of records activities, archives-related activities, and payments of principal and interest for the financing of the National Archives building at College Park, MD. Records activities include processing, describing, preserving, and making publicly available the historical records of the Federal Government, including Presidential records, and helping other Federal agencies to fulfill their records management responsibilities. Archives-related activities provide for the publication of the daily *Federal Register* and the *Code of Federal Regulations*, and satisfy other statutory requirements.

*Repairs and Restoration appropriation* provides for repairs and improvements to the 17 Federal buildings that NARA owns, operates, and maintains nationwide. This appropriation provides for renovations to NARA-owned buildings necessary to maintain health and safety standards for occupants, preserve archival records stored in NARA facilities, and protect the value of government real property assets.

*National Historical Publications and Records Commission (NHPRC) Grants appropriation* provides for grants to State and local government archives and private institutions to preserve and publish historical records that document American history.

### Intragovernmental Revolving Fund

*Records Centers Revolving Fund, Records Centers Storage and Services Activities* provides for the storage and related services for temporary and pre-archival Federal government records at NARA Records Centers. Operations of NARA Records Centers are financed by user charges collected from other Federal agencies for storage and related services.

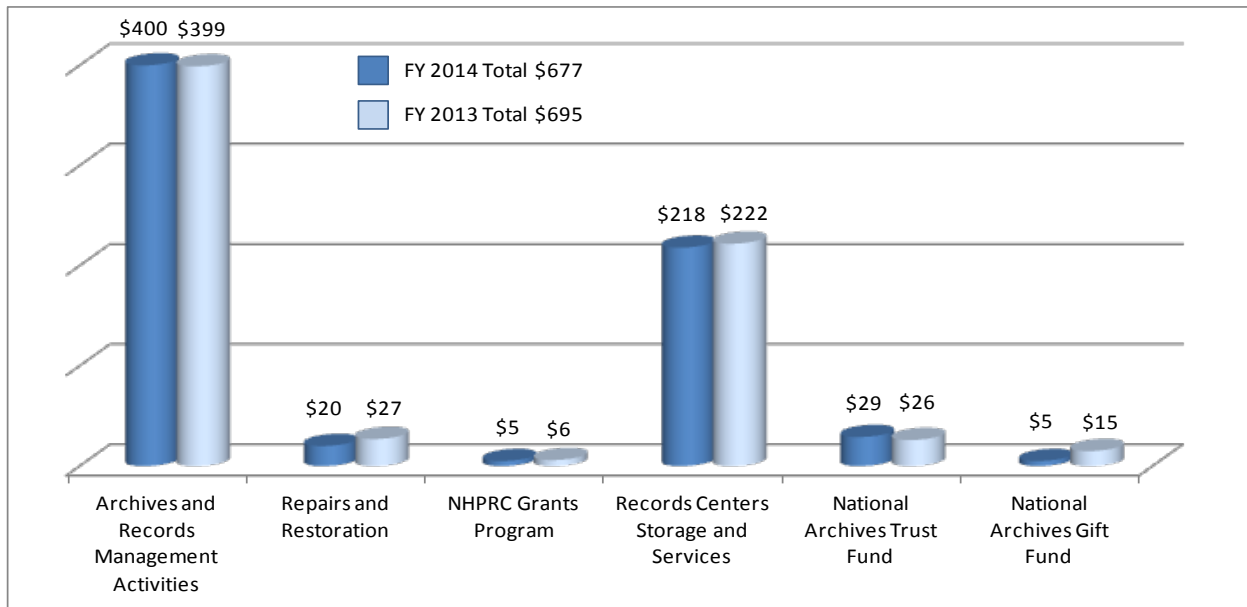
Trust Funds

*National Archives Trust Fund* provides for various services that support members of the public who visit NARA archival facilities and Presidential Libraries, including researchers, museum visitors, and attendees at NARA educational and public programs. The National Archives Trust Fund receives and disburses funds collected from sales to the public, including: reproductions of records, publications, merchandise, admissions to Presidential libraries, training events, and interest income (44 U.S.C. 2116). The Trust Fund also administers an outside investment program on behalf of the Presidential Library system.

*National Archives Gift Fund* provides the National Archives Trust Fund Board, chaired by the Archivist of the United States, with an efficient means to accept conditional and unconditional gifts and bequests for the benefit of, or in connection with, the archival and records activities administered by NARA (44 U.S.C. 2305). The National Archives Gift Fund receives endowments from private foundations; investment earnings from endowments support facility operations cost at the George H.W. Bush, William Clinton, and George W. Bush Libraries.

Consolidated Budgetary Resources

**Total Budgetary Resources by Program**  
*Dollars in Millions*



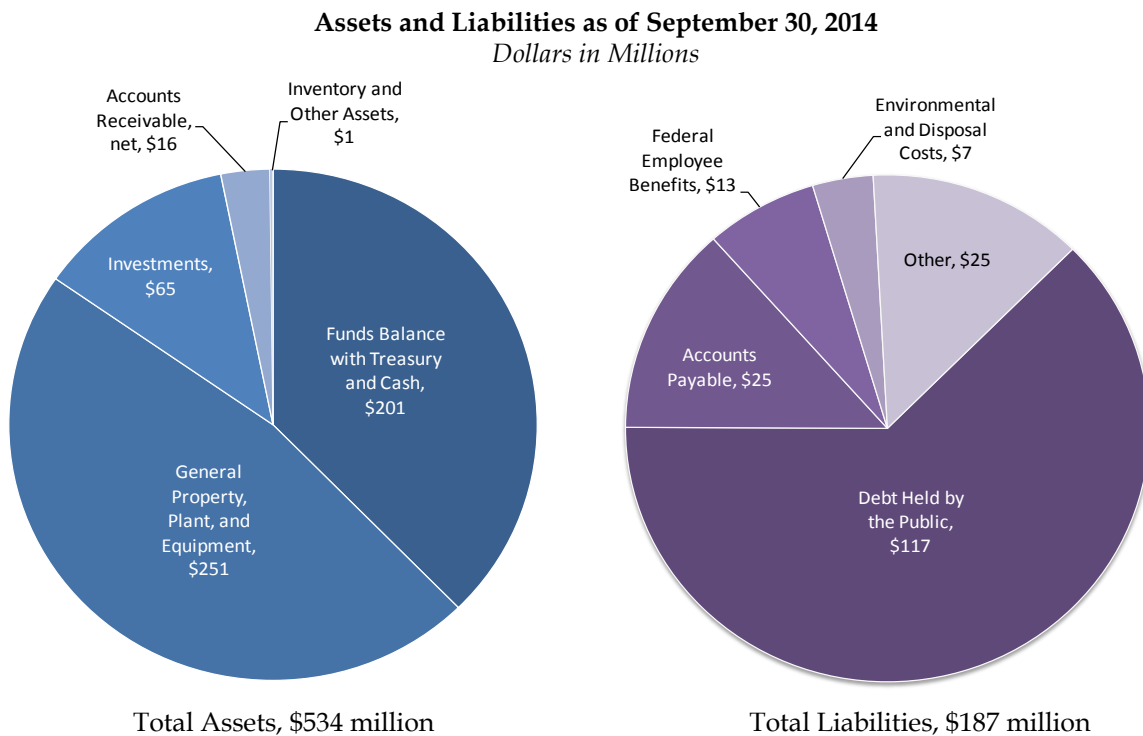
NARA received \$677 million in total budgetary resources in FY 2014, a decrease of \$18 million from FY 2013's total. Most of this decline is the effect of a one-time gift of \$10 million that was received in FY 2013, to establish an endowment for the newly-

opened George W. Bush Presidential Library. The remaining \$8 million is primarily the result of lower unobligated balances brought forward from prior years in NARA’s no-year appropriations for Repairs and Restoration and the NHPRC Grants Program. Both appropriations were reduced in FY 2013 due to sequestration and relied more heavily on unobligated balances to maintain operations; as a result, they each had fewer resources available to carry forward into FY 2014. Total net outlays (cash disbursements less cash receipts) declined by seven percent to \$351 million in FY 2014, due primarily to the reduced budget authority in both FY 2013 and FY 2014.

Approximately 60 percent (\$390 million) of NARA’s total budgetary resources came from current-year appropriations, and an additional 30 percent (\$195 million) were revenues earned from services provided to other Federal agencies and the public. The remaining amounts came from unobligated balances carried forward from prior years (\$80 million) and recoveries of prior year unpaid obligations (\$12 million). The Statement of Budgetary Resources, included in the Financial section of this report, provides additional information on how NARA receives its budgetary resources and their status at the end of the fiscal year.

### Consolidated Financial Position

NARA’s Balance Sheet, included in the Financial section of this report, provides a snapshot of NARA’s financial position as of September 30, 2014.



*Total Assets* of \$534 million at the end of FY 2014 consist of cash (*Fund Balance with Treasury*), buildings owned by NARA, internal use software and equipment (*Property and equipment*), investments (Trust and Gift Funds'), and amounts owed to NARA by customers, mostly Federal agencies (*Accounts receivable*.)

NARA's FY 2014 total assets balance is 7 percent (\$40 million) lower than FY 2013's balance of \$574 million, primarily in the *Property and equipment* category. The *Property and equipment* balance was drawn down by annual depreciation expense (\$54 million), combined with lower capital expenditures in FY 2014. Lower capital expenditures resulted from reduced budget authority in FY 2013 and 2014, as well as completion of major facility improvements and construction projects in previous years.

*Total Liabilities* balance of \$187 million at the end of FY 2014, declined by 12 percent (\$25 million) from the previous fiscal year. NARA's annual repayment of \$18 million in principal on the *Debt held by the public* explains most of the decline. The *Debt held by the public*, which represents 63 percent of NARA's total liabilities, was incurred to finance the construction of the National Archives building in College Park, MD. The remaining \$7 million of the decline is due to a reduction in the amount owed by NARA to others (accounts payable), which is attributable entirely to decreases in NARA's budget authority in FY 2013 and FY 2014.

Eighty percent (\$148 million) of NARA's total liabilities are unfunded, i.e., budgetary resources are not yet available as of September 30, 2014. The major elements of unfunded liabilities are \$117 million for *Debt held by the public*, \$13 million for the actuarial portion of *Federal employee benefits*, \$7 million for *Environmental asbestos clean-up costs*, and \$11 million for unfunded annual leave balances of NARA employees. For most unfunded liabilities, budgetary resources will be made available in the years balances are due, in accordance with OMB funding guidelines.



### Consolidated Results of Operations

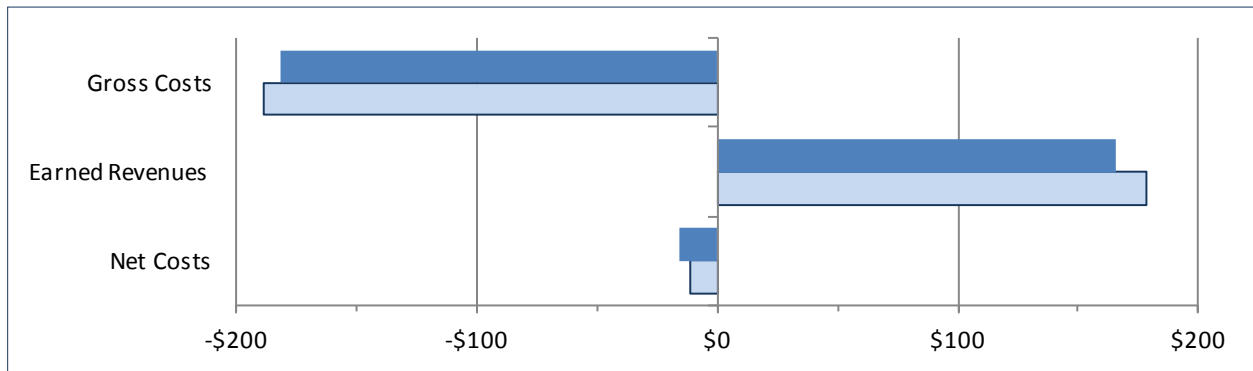
NARA's total net cost of operations was \$413 million for FY 2014. NARA's FY 2014 net cost of operations is 8 percent (\$38 million) less than the prior fiscal year, due largely to the completion of major facility improvements and consolidation projects in FY 2013, as well as reduced budget authority in FY 2013 and FY 2014. Net costs include total gross costs, minus all earned revenues attributed to and permitted to be offset against those costs. Expenses financed by Congressional appropriations represent about 67 percent (\$405 million) of NARA's FY 2014 total costs of operations; a more detailed analysis of NARA's net cost of non-appropriated operations is provided below.

### Records Centers Revolving Fund, Results of Operations

In FY 2014, the Records Centers Revolving Fund incurred \$182 million in gross costs, and earned \$166 million in revenues, resulting in net costs of \$16 million. FY 2014 net costs increased by \$5 million over FY 2013 results: Revenues declined by \$12 million from FY 2013, primarily due to the completion of a long-term scanning project, which produced a corresponding decrease in gross costs of \$7 million.

**Records Centers Revolving Fund, Results of Operations**

*Dollars in Millions*



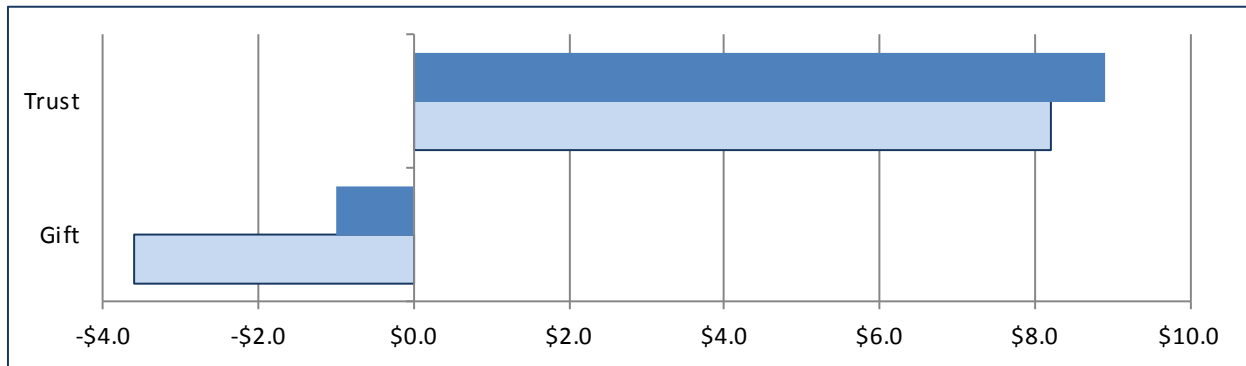
|        | Gross Costs | Earned Revenues | Net Costs |
|--------|-------------|-----------------|-----------|
| ■ 2014 | (\$182)     | \$166           | (\$16)    |
| ■ 2013 | (\$189)     | \$178           | (\$11)    |

National Archives Trust and Gift Funds, Net Results of Operations

In FY 2014, the National Archives Trust Fund realized net revenues from operations of \$8.9 million, an increase of \$0.7 million over FY 2013 levels. FY 2014 net revenues increased due to increased attendance at the George W. Bush Presidential Library, which opened in May 2013.

Net operating costs of the National Archives Gift Fund declined by \$2.6 million in FY 2014, to \$1 million. The reduction in costs was due primarily to one-time costs incurred in FY 2013 for major renovations associated with the new David M. Rubenstein Gallery at the National Archives building in Washington, DC; these costs did not continue in FY 2014.

National Archives Trust and Gift Funds, Net Revenue/(Cost)  
 Dollars in Millions



|      | Trust Fund | Gift Fund |
|------|------------|-----------|
| 2014 | \$8.9      | (\$1.0)   |
| 2013 | \$8.2      | (\$3.6)   |

The Statement of Net Cost, included in the Financial section of this report, presents NARA’s net costs of operations by major programs for fiscal years 2014 and 2013, after intra-agency eliminations.

## Management Assurances

### Federal Managers' Financial Integrity Act (FMFIA)

FMFIA requires all agencies to establish sufficient controls to 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. FMFIA requires the Head of the Agency to provide an assurance statement to the President on the adequacy of internal controls over operational, program, and administrative areas, as well as accounting and financial management. NARA's FY 2014 FMFIA assurance statement is included in the Other Information section of this report.

### Internal Controls Program

NARA's evaluation of its internal controls for the year ended September 30, 2014, provides reasonable assurance that – except for a material weakness associated with the preservation of textual archival records – the agency's internal controls achieved their intended objectives in FY 2014.

NARA Management first identified textual records preservation as a material weakness in FY 2007. Since then, NARA has put in place new controls to address preservation of the vast majority of our holdings, including: upgrading storage environments, compiling preservation data at the series level, establishing procedures for basic holdings maintenance work, and establishing protocols to protect records used in research rooms. NARA has implemented effective controls over preservation programs; however, the volume of textual records requiring preservation treatment continues to exceed NARA's capacity. NARA will continue to assess its preservation work processes and is currently considering new approaches to appropriately manage the large volume of textual archival records requiring preservation action. Additional details on this material weakness are provided in NARA's FMFIA assurance statement, included in the Other Accompanying Information section of this report.

NARA has made significant progress in addressing control weaknesses in holdings protection and accountability of artifacts in the Presidential Libraries. NARA substantially completed its corrective action plans in FY 2014 and, based on the recommendations of NARA's Management Controls Oversight Council, the Archivist downgraded holdings protection to a reportable condition and removed Library artifacts as a FMFIA weakness. NARA Management will continue to monitor controls over both programs through quarterly internal controls reporting and in accordance with OMB A-123 requirements.

NARA did not identify any new material weaknesses in FY 2014.

### Federal Information Security Management Act (FISMA)

NARA complied with FISMA requirements to conduct an annual self-assessment of the agency's information technology security program, develop and implement remediation efforts for identified security weaknesses and vulnerabilities, and report to OMB on NARA compliance. In addition, the Office of Inspector General performed an audit of NARA's FY 2014 FISMA report (OIG 14-16) which was issued on August 12, 2014.

### Federal Financial Management Improvement Act (FFMIA)

NARA is an *Accountability for Tax Dollars Act (ATDA)* agency, and is not subject to the requirements of FFMIA, per OMB bulletin #14-02, *Audit Requirements for Federal Financial Statements*. NARA is not required to report separately on its compliance with FFMIA in its FFMIA reports.

### Debt Management

NARA employee debts are managed by NARA's shared services providers for payroll, the Department of the Interior, Interior Business Center (IBC), and the Department of Treasury, Bureau of Fiscal Services (BFS). The IBC tracks employee debts and pursues delinquent debts from NARA employees through salary offsets. NARA actively pursues delinquent non-Federal claims, and upon request by NARA, BFS transmits delinquent claims to Debt Management Services (DMS) for collection cross-servicing, in compliance with the Debt Collection Improvement Act of 1996.

### Improper Payments Management

As required by Improper Payments Information Act, as amended by the Improper Payments Elimination and Recovery Act (IPERA), NARA completed a full program inventory and identified no programs or activities that may be susceptible to significant improper payments based on statutory thresholds. NARA assessed all programs with more than \$1 million in annual outlays, using a comprehensive questionnaire and risk calculation tool provided by the Department of Treasury, to determine if payment recapture audits would be cost-effective, in compliance with Section 2(h) of IPERA. Given the low risk level for all NARA programs, NARA determined that payment recovery audits would not be cost-effective at this time.

### Prompt Payment Act

The BFS processes payments for NARA in accordance with the Prompt Payment Act and submits quarterly prompt pay statistics on NARA's behalf.

### Inspector General Act

NARA Management is committed to resolving and implementing open audit recommendations presented in OIG reports. NARA reports on final actions taken on all OIG audit recommendations, in accordance with section 5(b) of the Inspector General Act. This information is included in the OIG semi-annual report to Congress.

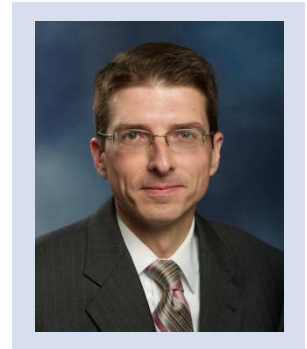
### Limitations of the Financial Statements

The principal financial 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). NARA's financial 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 (OMB); however, these statements are prepared in addition to the financial reports NARA uses to monitor and control budgetary resources, which are prepared from the same books and records. NARA's financial statements should be read with the realization that they are for a component of the U.S. Government, which is a sovereign entity.

## SECTION 2: OTHER INFORMATION

### LETTER FROM THE CHIEF FINANCIAL OFFICER

This is the first year that the National Archives and Records Administration (NARA) has presented its financial results in a separate Agency Financial Report (AFR), in lieu of a combined Performance and Accountability Report. The AFR format allows NARA to present a more streamlined report that focuses on agency financial results, and more clearly articulates the relationship between financial performance and program results. The AFR format also allows NARA to present more detail on the performance of non-appropriated funds, a significant source of budgetary resources for the agency.



NARA has received an unmodified “clean” audit opinion on its FY 2014 financial statements. A clean audit opinion provides independent confirmation that NARA’s financial statements are presented fairly and in conformity with generally accepted accounting principles. Accurate and timely financial information improves NARA’s accountability to its stakeholders and demonstrates that NARA is an effective steward of the resources in its custody.

I am proud of the progress that NARA has made in improving financial management; however, some challenges remain. I appreciate the professionalism of our financial statement auditors, CliftonLarsonAllen LLP, and their efforts to identify opportunities for NARA to improve the effectiveness of our financial operations. In the coming year, we will look to implement their recommendations and further improve our internal controls over financial management activities and reporting.

I would like to take this opportunity to report on NARA progress against the goal of OMB Memorandum M-12-12, Section 3, “Freeze the Footprint”. As of September 30, 2014, NARA has reduced its total real property footprint by over 1.2 million square feet (10 percent) below our FY 2012 baseline. This figure includes space vacated in FY 2014, when NARA consolidated facilities in Anchorage, AK and Philadelphia, PA; these consolidations are expected to reduce NARA’s administrative costs by over \$1 million in FY 2015.

Although NARA, as ATDA agency, is not subject to the Federal Managers’ Financial Integrity Act, we strive to adhere to Federal financial management requirements, and I can provide reasonable assurance that the objectives of Section 2 have been achieved. I am confident that NARA’s continued commitment to improved internal controls will ensure the continued integrity and reliability of NARA financial reports.

A handwritten signature in black ink, appearing to read "Micah M. Cheatham". The signature is stylized and fluid, written over a light blue horizontal line.

Micah M. Cheatham  
Chief Financial Officer

## Independent Auditors' Reports (FY 2014)

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### OFFICE OF THE INSPECTOR GENERAL COMMENTARY AND SUMMARY

This audit report contains the Annual Financial Statements of the National Archives and Records Administration (NARA) for the fiscal years ended September 30, 2014 and 2013. We contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to perform the fiscal year 2014 financial statements audit. The fiscal year 2013 financial statements audit was performed by Cotton & Company, LLP. The audits were conducted in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable provisions of the OMB Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, as amended, and the GAO/PCIE *Financial Audit Manual*.

In its audit opinion on NARA's financial statements, CLA report states that the financial statements present fairly, in all material respects, the financial position of NARA as of September 30, 2014, and its net cost, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

CLA reported no material weaknesses<sup>1</sup> or significant deficiencies<sup>2</sup> in internal control over financial reporting. CLA disclosed no instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements as required by OMB guidance that could have a direct and material effect on the determination of financial statement amounts.

In connection with the contract, we reviewed CLA's reports 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 us to express, as we do not express, an opinion on NARA's financial statements or conclusions about the effectiveness of internal control over financial reporting or compliance with laws, regulations, contracts and grant agreements. CLA is responsible for the attached auditor's report dated November 10, 2014, and the conclusions expressed in the accompanying reports. However, our review disclosed no instances where CLA 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 deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis.

<sup>2</sup> A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



CliftonLarsonAllen LLP  
www.claconnect.com

## INDEPENDENT AUDITORS' REPORT

The Inspector General  
National Archives and Records Administration

### **Report on the Financial Statements**

We have audited the accompanying financial statements of National Archives and Records Administration (NARA), which comprise the balance sheet as of September 30, 2014, and the related statements of net cost and changes in net position, the combined statement of budgetary resources for the year then ended, and the related notes to the financial statements (financial statements).

### ***Management's Responsibility for the Financial Statements***

NARA management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.) and the design, implementation, and maintenance of internal control over financial reporting relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02). Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are also responsible for applying certain limited procedures with respect to the required supplementary information and other information included with the financial statements.

***Opinion on the Financial Statements***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NARA as of September 30, 2014, and its net costs, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the U.S. The financial statements of NARA as of and for the year ended September 30, 2013 (FY 2013) were audited by other auditors, whose report dated December 16, 2013, expressed an unmodified opinion on those financial statements.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that Management Discussion and Analysis (MD&A) on Section 1 and other Required Supplementary Information (RSI) on Section 2 of the Annual Financial Report (AFR) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the MD&A and other RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

The other information (OI) on Section 3 of the AFR, the Letter from the Archivist, and the Letter from the Chief Financial Officer contains a wide range of information, some of which is not directly related to the financial statements.

This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. The OI has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered NARA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial

statements, but not for the purpose of expressing an opinion on the effectiveness of NARA's internal control or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of NARA's internal control or on management's assertion on internal control included in the MD&A.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NARA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Report on Compliance**

As part of obtaining reasonable assurance about whether NARA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with our professional responsibilities discussed below.

#### **Management's Responsibility for Internal Control and Compliance**

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA); (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting; and (3) complying with other applicable laws, regulations, contracts, and grant agreements.

#### **Auditors' Responsibilities**

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit; and (2) testing compliance with certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws, regulations, contracts and grant agreements applicable to NARA. We limited our tests of compliance to certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

***Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance***

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of NARA's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NARA's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**  
Arlington, VA  
November 10, 2014

## Management Response to Auditors' Report (FY 2014)

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ARCHIVIST *of the*  
UNITED STATES

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**Date:** November 12, 2014  
**To:** James Springs, Acting Inspector General  
**From:** David S. Ferriero, Archivist of the United States  
**Subject:** Management Response to the FY 2014 Financial Statement Audit

Thank you for the opportunity to review your reports, *Independent Auditor's Report* and *Independent Auditor's Report on Internal Control and Compliance*, related to the financial statement audit of the National Archives and Records Administration for the fiscal year ending September 30, 2014.

I am pleased to have received an unmodified or "clean" independent audit opinion on our financial statements. An unmodified opinion recognizes NARA's commitment to producing accurate and reliable financial statements, and supports our efforts to continuously improve our financial management program.

I would like to thank the Office of Inspector General and CliftonLarsonAllen LLP for their cooperative and professional approach.



DAVID S. FERRIERO  
Archivist of the United States

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This Summary Report is available at [www.archives.gov/about/plans-reports/](http://www.archives.gov/about/plans-reports/), as well as the FY 2014 Agency Financial Report and the FY 2016 Annual Performance Plan and FY 2016 Annual Performance Report. Performance and Accountability Reports for previous years, NARA's Strategic Plan, past Annual Performance Plans and Performance Budgets are available at this site.

Links to other web pages of interest, such as Archival Holdings research tools, Presidential Libraries, and Public documents by Office of Federal Register may be found at [www.archives.gov](http://www.archives.gov).

To comment on this report, please e-mail [performance@nara.gov](mailto:performance@nara.gov).