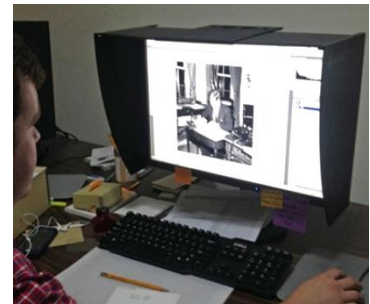




National Archives and Records Administration

FY 2015 SUMMARY REPORT



Making Access Happen

February 16, 2016

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 and Records Administration publishes agency financial data in its annual Agency Financial Report (AFR). NARA published its performance data in its FY 2015 Annual Performance Report (APR), published with its FY 2017 Congressional Budget Justification in February 2016, at www.archives.gov/about/plans-reports/.

LETTER FROM THE ARCHIVIST OF THE UNITED STATES



I am pleased to present the FY 2015 Summary Report of the National Archives and Records Administration (NARA). Our report provides Congress and the American people with a clear, concise report on NARA's financial and performance results for FY 2015.

One of the most notable accomplishments of FY 2015 was the enactment of the Presidential and Federal Records Act Amendments, signed into law in November 2014. This new law modernized the statutory framework for Federal records management by directly addressing electronic records. The Amendments expand the definition of Federal records to expressly include electronic records, clarify the responsibilities of Federal government officials when using non-government email systems, and require that Federal electronic records be transferred to the National Archives in electronic form. The Amendments clarify agency responsibilities to appropriately retain Federal records, modernize Federal recordkeeping practices, and ensure that Federal records are available to document the rights of citizens, hold Government accountable, and document our nation's history.

NARA enjoyed many successes in FY 2015 and demonstrated significant progress towards meeting the goals in our FY 2014 – FY 2018 Strategic Plan. The accomplishments highlighted below demonstrate NARA's commitment to an open and transparent government. NARA delivers on the promise of an Open Government by ensuring that high-value Federal 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

- In FY 2015, NARA delivered new products to assist Federal agencies in modernizing their records management practices and meet the objectives of the *Managing Government Records Directive* (OMB Memorandum M-12-18). This year, NARA issued new guidance clarifying the appropriate treatment of electronic Federal records in multiple new technologies and formats, and shared best practices for retaining those records. We updated procedures for determining when to transfer permanent records to NARA and established new standards for the metadata that must accompany transfers of permanent electronic records. These new products provide agencies with timely and responsive guidance to assist them in meeting their records management responsibilities in the modern, electronic environment.
- NARA also made significant strides in providing meaningful public access to historically-

valuable records already in our custody. In FY 2015, NARA achieved our goal of providing narrative descriptions for over 90 percent of our traditional (non-electronic) records online, through the National Archives Catalog. Descriptions allow researchers and the public to more precisely identify records necessary to perform research and discover related records that they may not have known existed. Narrative descriptions are also an important first step in digitizing records and providing free access online. The 90 percent description goal is a significant milestone towards achieving the broader goal of providing free, online access to all NARA archival records.

- Beginning in FY 2015, NARA descriptions and digitized records are now available to the public in the new National Archives Catalog. The National Archives Catalog was launched in December 2014, and replaces the legacy Online Public Access system. The Catalog offers improved search functions, increased capacity to store large volumes of digital images, and features that allow users to add content to NARA records, including tagging and transcriptions. The Catalog also includes a public application programming interface (API) that allows application developers and citizens to export records and data in bulk, use and re-use images, and post their contributions to the Catalog. The Catalog and the API provide new levels of access to NARA records, offer more opportunities for engagement with the public, and expand the amount of government data that NARA is able to make available to the public in open and machine-readable formats.

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.

NARA’s most immediate challenge relates to Information Technology security. IT security is a challenge for any entity as both technology and threats are constantly evolving. NARA is particularly sensitive to the risks associated with IT security because of our role as a trusted source of permanently-valuable Federal government records and data. NARA’s systems and networks house millions of born-electronic and digital copies of Federal records that must be preserved and made available to the public.

In FY 2015, NARA self-identified IT security as a material weakness in internal controls. This is reinforced by the report of our independent auditors, who identified IT security as a significant deficiency for financial reporting. Our Federal Managers’ Financial Integrity Act (FMFIA) report, located in the “Other Information” section, further describes the risks posed to NARA’s internal controls and summarizes our action plan to address this known weakness.

Based on the status and progress that NARA has made to address its challenges and risks in FY 2015, I am able to provide a qualified statement of assurance that—with the exception of a material weakness in IT security—NARA’s internal controls are meeting their intended objectives, as defined by OMB Circular A-123. This assessment is based on the results of

National Archives and Records Administration
FY 2015 Summary Report

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.

Our FY 2015 accomplishments are the result of the commitment and dedicated efforts of NARA employees, who take great pride in our mission. We will continue to directly address our challenges, capture our opportunities, and improve the efficiency and effectiveness with which we fulfill our mission to ensure meaningful public access to the records of the U.S. Government.



David S. Ferriero
Archivist of the United States

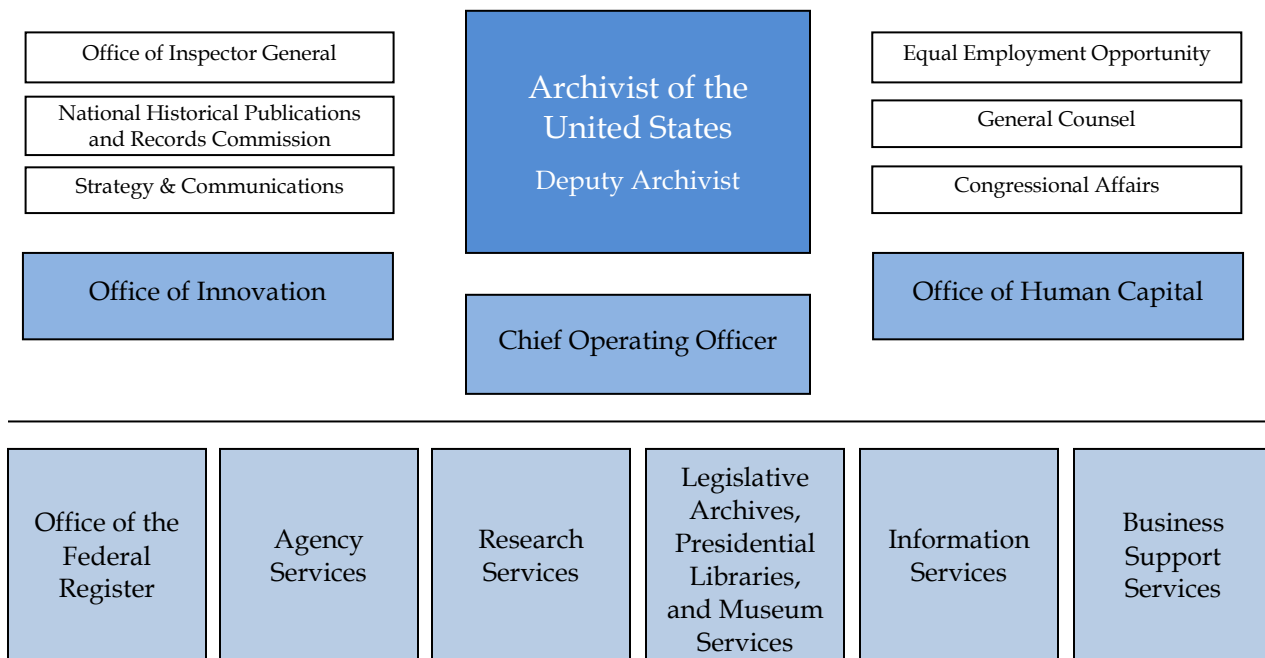
SECTION 1: MANAGEMENT’S DISCUSSION AND ANALYSIS

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.

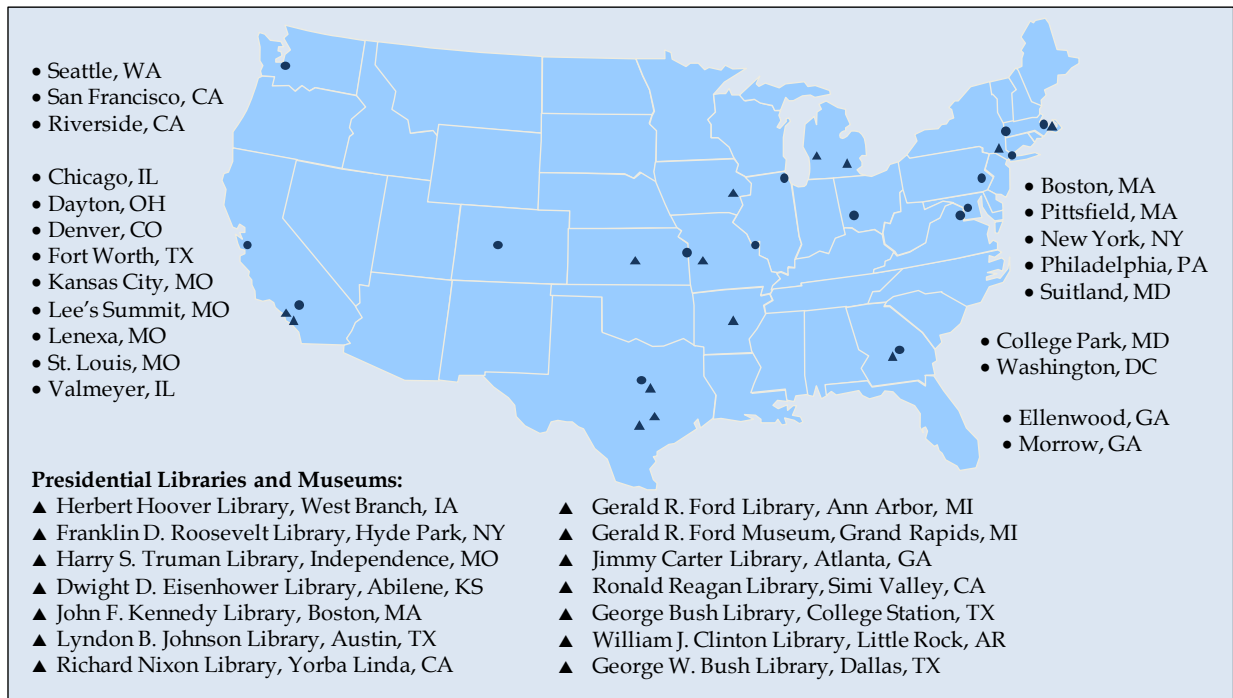
NARA’s core operations are organized into the Office of the Federal Register (OFR) and five “Services”: Agency Services, Research Services, Legislative Archives, Presidential Libraries, and Museum Services, Information Services, and Business Support Services. NARA Services and the OFR report to the Chief 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 these 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 exceeded its processing goal in FY 2015, ending the year with 72 percent of 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 151,000 cubic feet of records in FY 2015 and accepted over 117,000 cubic feet of new, unprocessed archival records, for a net increase of 34,000 cubic feet of processed records. NARA ended the year with slightly less than 1.3 million cubic feet of unprocessed records. In FY 2016, NARA will implement new policies and procedures to expedite processing and improve physical control of the holdings.

NARA also met its FY 2015 description goal, increasing the percentage of traditional (non-electronic) archival records described in the on-line catalog to 90 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 2014 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	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	Status
Increase the percentage of archival holdings processed	60	65	68	71	72	Met
Increase the percentage of traditional archival holdings described in an online catalog	81	83	86	90	90	Met

Connect with Customers

NARA did not meet its timeliness goal for responding to requests for military service separation records in FY 2015, although actual performance was only slightly below the FY 2015 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 2,250 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 experienced declining 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. In FY 2015, NARA concentrated resources on reducing the oldest and most complicated pending requests, and deployed a new quality assurance program to improve accuracy. Both efforts reduced timeliness of NARA's responses, which had a commensurate impact on customer satisfaction. NARA expects that the investments in increased quality and reducing aged, pending cases will have a sustained, positive impact on future years' performance.

NARA did not meet its goal for responding to Freedom of Information Act (FOIA) requests within 20 days in FY 2015, but agency performance improved over FY 2014 levels. 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 billions of pages of archival records. The annual volume of FOIA requests received by NARA in FY 2014 and FY 2015 is nearly double the volume received in the previous two years. A significant portion of the increase is attributable to private sector companies seeking verification of military service to pursue Work Opportunity Tax Credits. NARA has identified several procedural improvements and expects to increase FOIA timeliness in FY 2016.

Performance Goals	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	Status
Sustain the percentage of military separation requests answered within 10 working days	92	95	94	95	93	Not Met
Increase the percentage of customers satisfied with retrieving military records from NPRC	90	86	86	88	80	Not Met
Increase the percentage of FOIA requests for Federal records answered within 20 working days	84	83	77	85	80	Not Met

Maximize NARA’s Value to the Nation

NARA met its FY 2015 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, the continued engagement of Senior Agency Officials within their agencies, and increased management attention resulting from the issuance of OMB Memorandum M-12-18, Managing Government Records Directive.

Performance Goal	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	Status
Increase the percentage of agencies in the low risk category of the RMSA	10%	20%	29%	>29%	34%	Met

Build Our Future Through Our People

NARA is committed to building a diverse workforce that thrives in an environment of empowerment, openness, and inclusion. NARA relies on the annual Federal Employee Viewpoint Survey (FEVS), administered by the Office of Personnel Management (OPM), to understand employee perceptions of the agency. In FY 2015, NARA realized improvements in the responses to almost every survey question. Positive results increased by two percentage points or more over FY 2014 results in 90% of FEVS questions, and 35% of questions increased by five percentage points or more.

NARA exceeded its FY 2015 goals for employee empowerment and diversity, as measured by employee responses in the annual FEVS. In FY 2015, NARA replaced its previous measures of empowerment and diversity with a new OPM index, the “New Inclusion Quotient”, or “new IQ”. The new IQ compiles FEVS survey responses to 20 questions that relate to inclusive work environments, including questions covering fairness, openness (including diversity), cooperation, support, and empowerment. In FY 2015, 56 percent of employees responded “Agree” or “Strongly Agree” to FEVS questions that make up the new IQ index.

In FY 2015, NARA did not meet its goals for hiring process cycle time. Approximately 45% of NARA hiring actions were completed within 80 days in FY 2015. NARA is dedicated to meeting the 80-day time to hire standard set by OPM and assess agency-internal processes to find and eliminate inefficiencies in FY 2016.

Performance Goal	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	Status
Improve NARA's average score in FEVS questions related to diversity and inclusion (new IQ)	48%	47%	49%	>49%	53%	Met
Increase the percentage of NARA positions filled within 80 days.	—	68%	43%	50%	45%	Not 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, 2015. 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 Federal Records Centers. Operations of NARA Federal 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; NARA uses the investment earnings from these endowments to support facility operations cost at the George H.W. Bush, William Clinton, and George W. Bush Libraries.

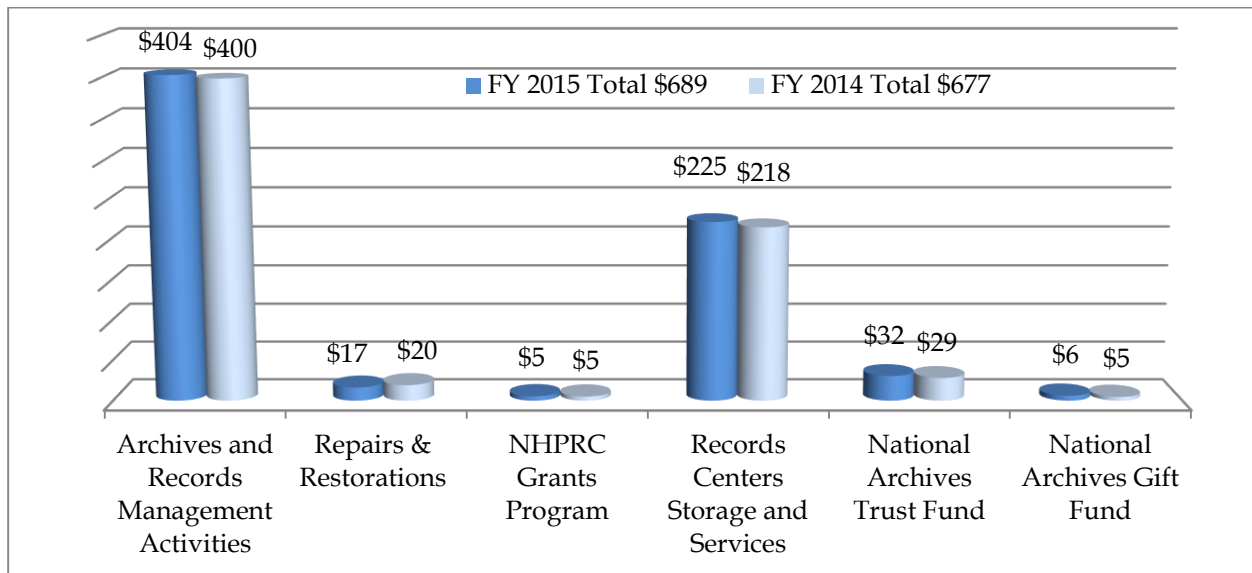
Consolidated Budgetary Resources

This statement provides information on the budgetary resources available to NARA as of September 30, 2015, and September 30, 2014, and the status of those budgetary resources.

Budget authority is the authority provided to NARA by law to enter into obligations that will result in future expenditures (outlays) of federal funds. Obligations are incurred when an order is placed, contract awarded, service received, or similar transaction, which will require payments during the same or a future period. Obligations are incurred against – and reduce – either current year budget authority or unobligated balances of prior years’ authority that have been carried forward. Gross outlays reflect the actual cash disbursed by the Government in order to fulfill NARA’s obligations.

NARA received \$689 million in total budgetary resources in FY 2015, an increase of \$12 million from the FY 2014 total. This increase is the result of recoveries of prior year, unpaid obligations from the completion of major contracts, and the increase in revenue from the Records Centers Revolving Fund. Total net outlays (cash disbursements less cash receipts) remained mostly unchanged at \$349 million in FY 2015.

Total Budgetary Resources by Program
Dollars in Millions

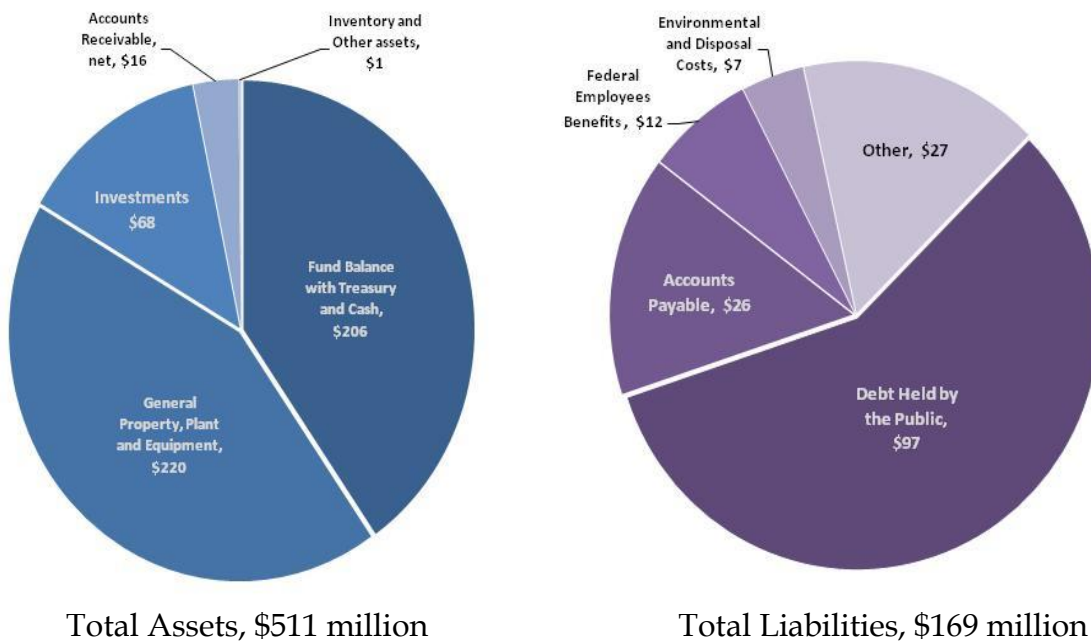


Approximately 56 percent (\$386 million) of NARA’s total budgetary resources came from current-year appropriations, and an additional 30 percent (\$204 million) were revenues earned from services provided to other Federal agencies and the public. The remaining amounts came from unobligated balances carried forward from prior years (\$81 million) and recoveries of prior year unpaid obligations (\$18 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 Balance Sheet

The Balance Sheet compares the amounts available for use by NARA (assets) to the amounts owed (liabilities) and amounts that comprise the difference (net position).

Assets and Liabilities as of September 30, 2015
Dollars in Millions



Total Assets of \$511 million at the end of FY 2015 consisted 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 2015 total assets balance is 4 percent (\$23 million) lower than FY 2014's balance of \$534 million, primarily in the *Property and equipment* category. The *Property and equipment* balance was reduced by annual depreciation expense in FY 2015.

Total Liabilities balance of \$169 million at the end of FY 2015, declined by 9 percent (\$17 million) from the previous fiscal year. NARA's annual repayment in principal on the *Debt held by the public* explains this decline. The *Debt held by the public*, which represents 57 percent of NARA's total liabilities, was incurred to finance the construction of the National Archives building in College Park, MD.

Seventy six percent (\$128 million) of NARA's total liabilities are unfunded, i.e., budgetary resources are not yet available as of September 30, 2015. The major elements of unfunded liabilities are \$97 million for *Debt held by the public*, \$12 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.

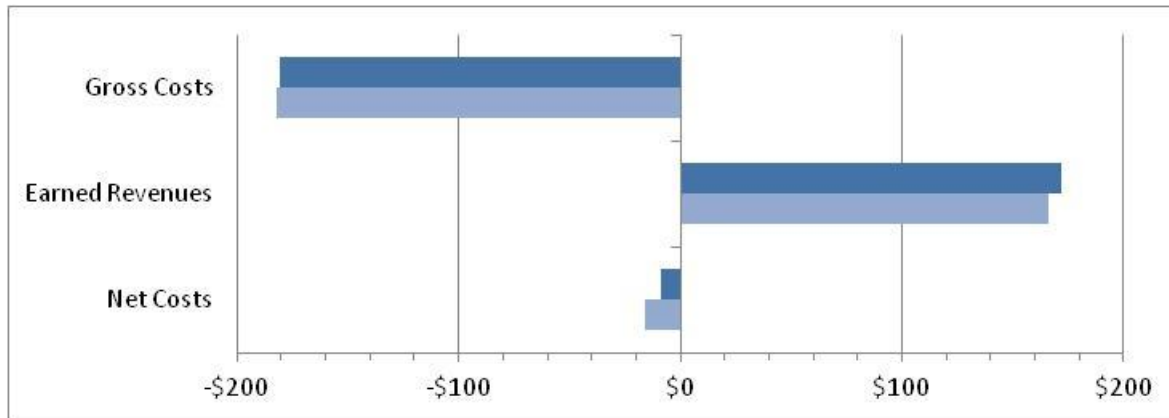
Consolidated Results of Operations

NARA’s total net cost of operations was \$400 million for FY 2015. NARA’s FY 2015 net cost of operations is 3 percent (\$13 million) less than the prior fiscal year, due largely to increased revenues to the Records Centers Revolving Fund. 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 (\$395 million) of NARA’s FY 2015 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 2015, the Records Centers Revolving Fund incurred \$181 million in gross costs, and earned \$172 million in revenues, resulting in net costs of \$9 million. FY 2015 net costs decreased by \$7 million over FY 2014 results, primarily due to a \$6 million increase in revenues resulting from increased business activity.

Records Centers Revolving Fund, Results of Operations
Dollars in Millions



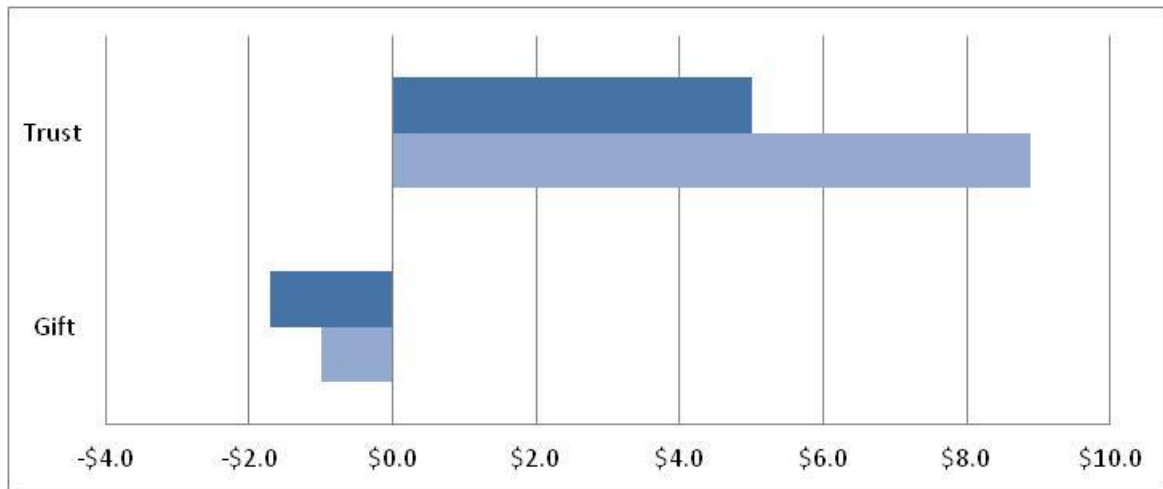
	Gross Costs	Earned Revenues	Net Costs
2015	(\$181)	\$172	(\$9)
2014	(\$182)	\$166	(\$16)

National Archives Trust and Gift Funds, Net Results of Operations

In FY 2015, the National Archives Trust Fund realized net revenues from operations of \$5 million, a decrease of \$3.9 million over FY 2014 levels. FY 2015 net revenues decreased due a decline in Presidential Library admissions revenue, and an increase in renovation expenses at Presidential libraries.

Net operating costs of the National Archives Gift Fund increased by \$.07 million in FY 2015. The increase in costs was due primarily to renovations, especially at the John F. Kennedy Presidential library.

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



	Trust Fund	Gift Fund
■ 2015	\$5.0	(\$1.7)
■ 2014	\$8.9	(\$1.0)

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 2015 and 2014, 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 2015 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, 2015, provides reasonable assurance that – except for a material weakness associated with Information Technology Security – the agency's internal controls achieved their intended objectives in FY 2015.

NARA identified controls associated with IT Security as a material weakness in FY 2015. NARA's assessment of annual IT system authorizations identified a persistent pattern of recurring weaknesses and vulnerabilities and NARA identified control deficiencies in five specific areas. These control deficiencies, when considered cumulatively, were deemed to constitute a material weakness. An action plan has been developed and actions have been or are being taken under the oversight of NARA's internal control and risk management body.

Based on the recommendation of NARA's internal control and risk management body, NARA removed Preservation of Textual Holdings as a FMFIA weakness this fiscal year. All actions in the material weakness action plan were completed resulting in, among other things, a Preservation Strategic Plan, which will guide the future direction of preservation and a risk assessment and ranking methodology, which will guide future preservation decisions.

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 the Office of Management and Budget (OMB) on NARA compliance. In addition, the Office of Inspector General (OIG) performed an evaluation of NARA's information security program in accordance with FISMA for FY 2014. The OIG issued a narrative of its evaluation results to the Archivist on November 6, 2014. The OIG contracted with Clifton Larson Allen, LLP to perform its FY 2015 FISMA evaluation.

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 #15-02, *Audit Requirements for Federal Financial Statements*. NARA is not required to report separately on its compliance with FFMIA in its FMFIA 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.

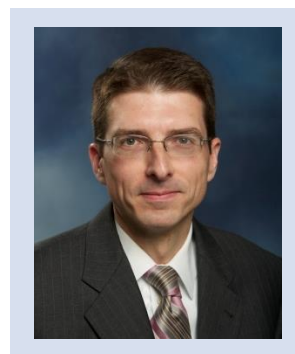
Limitations of the Financial Statements

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 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

The National Archives and Records Administration (NARA) has received an unmodified, “clean” audit opinion on its FY 2015 financial statements. I am happy to report that this year’s audit did not identify any material weaknesses over financial reporting.



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 and control.

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.

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, 2015, NARA has reduced its total real property footprint by over 1.2 million square feet (10 percent) below our FY 2012 baseline. NARA currently occupies an estimated 10.8 million square feet in owned and leased facilities across the country.

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.

A handwritten signature in black ink, appearing to read "Micah M. Cheatham". The signature is stylized and fluid.

Micah M. Cheatham
Chief Financial Officer

Independent Auditors' Reports (FY 2015)

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
ANNUAL FINANCIAL STATEMENT AUDIT
FISCAL YEAR 2015

OFFICE OF THE INSPECTOR GENERAL
COMMENTARY AND SUMMARY

This audit report contains the consolidated financial statements of the National Archives and Records Administration (NARA) for the fiscal years ended September 30, 2015 and 2014. We contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to perform the fiscal year 2015 financial statements audit. 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. 15-02, *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, 2015 and 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 weaknesses¹ and one significant deficiency² in internal control over financial reporting related to Information Technology controls. 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 6, 2015, 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.

¹ 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.

² 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.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Inspector General
National Archives and Records Administration

Archivist of the United States
National Archives and Records Administration

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of National Archives and Records Administration (NARA), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated 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.); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 15-02). Those standards and OMB Bulletin 15-02 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 consolidated financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

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

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Archives and Records Administration as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Required Supplementary Information

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that NARA's Management Discussion and Analysis (MD&A) and other Required Supplementary Information (RSI), on pages 5 through 20 and 51 through 54, 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information on pages 2, 21, 63 through 73 is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. This information 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 statement of assurance 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 statement of assurance on internal control included in the MD&A. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

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

INDEPENDENT AUDITORS' REPORT (Continued)

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 the NARA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a deficiency in internal control related to information technology controls, described below and in Exhibit A, which we consider to be a significant deficiency.

Longstanding Control Deficiency Related to Information Technology Controls

Several control deficiencies under the general control categories of security management, contingency planning, and access controls have existed since at least FY 2008 and not corrected, indicating longstanding deficiencies in information technology controls.

Report on Compliance

As part of obtaining reasonable assurance about whether NARA's financial statements are free from material misstatements, we performed tests of NARA's compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02.

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 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 noncompliance with which could have a direct and material effect on the determination of the financial statements amounts.

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

INDEPENDENT AUDITORS' REPORT (Continued)

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.

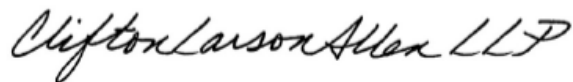
We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to NARA. We limited our tests of compliance to certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of the financial statements amounts. 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.

Management's Response to Finding

Management's response to the finding identified in our report is presented in Exhibit B. We did not audit NARA's response and, accordingly, we express no opinion on it.

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

Arlington, Virginia
November 06, 2015

EXHIBIT A
Significant Deficiency

Longstanding Control Deficiency in Information Technology Controls

NARA relies extensively on information technology (IT) systems to accomplish its mission and in the preparation of its financial statements. Internal controls over these operations are essential to ensure the confidentiality, integrity and availability of critical data while reducing the risk of errors, fraud and other illegal acts.

In general, NARA's networks support workstations, servers, utilities, software tools, routers, databases, and communications which provide connectivity, availability and integrity to NARA's significant financial applications and its users. If an attacker makes the network go down, it will render the financial applications inaccessible. If an attacker exploits vulnerabilities to escalate privileges, it could alter, remove or destroy database tables that are an integral to the operation of the significant accounting applications. The general IT controls designed and implemented by an entity would provide the structure, and policies and procedures that apply to an entity's overall computer systems. General IT controls include entity-wide security management, access controls, configuration management controls, segregation of duties and service continuity controls.

In FY 2015, NARA reported a material weakness in IT security in its Federal Managers' Financial Integrity Act (FMFIA) statement which identified a persistent pattern of recurring vulnerabilities with expected resolution by Sept 2016.

During our audit, we also identified several deficiencies under the general control categories of security management, contingency planning and access controls that have existed since FY 2008, indicating longstanding unresolved deficiencies impacting the effectiveness of NARA's information technology security program and internal controls.

These weaknesses could be potentially exploited intentionally or unintentionally to undermine the integrity and completeness of data processed by NARA's financial management systems, including those systems which feed into or are reconciled with data processed by the Records Center Program Billing System (RCPBS) and Order Fulfillment and Accounting System (OFAS) systems. We also noted control weaknesses for the NARA Network (NARANet), Order Fulfillment and Accounting System (OFAS), Visitor Services Reservation Scheduling System (VISTA) and Records Center Program Billing System (RCPBS) systems.

A summary of key findings related to NARANet, OFAS, VISTA, and RCPBS systems are categorized and listed by general control category as follows:

Access Controls - We identified the following access control weaknesses:

- inactive user accounts were not being disabled in a timely manner;
- no comprehensive, enterprise wide process to review user activity for potential security violations; and
- user access re-certifications were not performed on an annual basis.

Access controls are designed to limit or detect access to computer programs, data, equipment, and facilities to protect these resources from unauthorized modification, disclosure, loss or impairment. Such controls include logical and physical security controls.

Security Management - Prior security management control findings have not been completely addressed related to the completeness and timely remediation of issues noted within Plans of Actions and Milestones (POA&Ms), updating and completeness of system security plans, and updating of IT policies and procedures. Controls should be established for a framework and continuous cycle of activity for assessing risk,

EXHIBIT A
Significant Deficiency

developing and implementing effective security procedures, and monitoring the effectiveness of these procedures.

Contingency Planning - Prior contingency planning control findings have not been completely addressed related to the updating of system contingency plan documents. This year we also determined that backup tapes were not being stored at an offsite location for safekeeping. Internal controls should provide reasonable assurance that contingency planning (1) protects information resources and minimizes the risk of unplanned interruptions and (2) provides for recovery of critical operations should interruptions occur.

Segregation of Duties –This year we noted inappropriate access to Library Point of Sale (PoS) systems. Internal controls should provide reasonable assurance that incompatible duties, responsibilities and related policies are effectively segregated and there are effective controls of personnel activities through formal operating procedures, supervision, and review.

Configuration Management – Although prior configuration management control findings have been substantially addressed, additional configuration management weaknesses were identified this year. NARA did not have an effective process for monitoring, detecting and remediating known vulnerabilities related to software patches and updates, configuration management plans were outdated or did not exist, and system baseline configurations were not formally developed, approved and implemented for all devices and operating systems. Configuration management controls are designed to provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended.

The criteria we used to vet against the IT control deficiencies identified above came from NARA, the National Institute of Standards and Technology (NIST), and the Office of Management and Budget (OMB) with some below:

- NARA IT Security Requirements
- NARA IT Security Methodology for Contingency Planning:
- NIST Special Publication 800-53, Revision 4, “*Security and Privacy Controls for Federal Information Systems and Organizations*”
- OMB M-16-03, *Guidance on Federal Information and Security and Privacy Management Requirements*
- Various other NIST Standards and Guidance
- Office of Management and Budget (OMB) Memorandum A-130, *Management of Federal Information Resources*

The IT control deficiencies resulted from an ineffective implementation and oversight by NARA management of key controls over security management, access controls, configuration management controls, segregation of duties, and service continuity controls.

Recommendation: We recommend that the NARA develop and execute a realistic holistic IT plan with target dates to resolve longstanding issues over access controls, security management, contingency planning, segregation of duties, and configuration management.

EXHIBIT B
Management's Response



ARCHIVIST of the
UNITED STATES

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Date: November 6, 2015

To: James Springs, Inspector General

From: David S. Ferriero, Archivist of the United States

Subject: Management Response to the FY 2015 Financial Statement Audit

Thank you for the opportunity to review your *Independent Auditor's Report* on the financial statement audit of the National Archives and Records Administration for the fiscal year ending September 30, 2015.

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.

NARA acknowledges the Information Technology security challenges identified in this reports and concurs in the recommendation of the independent auditor. NARA self-identified IT security as a material weakness in internal controls and a summary of our corrective action plan is included in the FY 2015 Statement of Assurance. I appreciate the work performed by the auditor in this area and will ensure the auditor's findings and recommendation are incorporated into NARA's action plan.

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

DAVID S. FERRIERO
Archivist of the United States

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This Summary Report is available at www.archives.gov/about/plans-reports/, as well as the FY 2015 Agency Financial Report and the FY 2017 Annual Performance Plan and FY 2015 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.

To comment on this report, please e-mail strategy@nara.gov.