



OFFICE of INSPECTOR GENERAL
NATIONAL ARCHIVES and RECORDS ADMINISTRATION
8601 ADELPHI ROAD, COLLEGE PARK, MD 20740-6001
www.archives.gov/oig

May 17, 2016

TO: David S. Ferriero
Archivist of the United States

FROM: James Springs *James Springs*
Inspector General

SUBJECT: *NARA's Refile Processes at Selected Federal Records Centers*

Attached for your action is our final report, *NARA's Refile Processes at Selected Federal Records Centers*. We incorporated the formal comments provided by your office. The report contains fourteen recommendations aimed at improving controls over the refile processes for IRS records at the National Archives and Records Administration's Federal Records Centers. Your office concurred with the fourteen recommendations.

In accordance with NARA Directive 1201, *Audits of NARA Programs and Operations*, section S7.m, within 45 days of the date of this memorandum, please provide our office with a written response that includes your (1) corrective action plan and (2) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendations. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

As with all OIG products, we will determine what information is publically posted on our website from the attached report. Should you or management have any redaction suggestions based on FOIA exemptions, please submit them to my counsel within one week from the date of this letter. Should we receive no response from you or management by this timeframe, we will interpret that as confirmation NARA does not desire any redactions to the posted report.

Consistent with our responsibility under the *Inspector General Act, as amended*, we may provide copies of our report to congressional committees with oversight responsibility over the National Archives and Records Administration.

Please call me with any questions, or your staff may contact Jewel Butler, Assistant Inspector General of Audits, at (301) 837-3000.

NATIONAL ARCHIVES *and*
RECORDS ADMINISTRATION

OFFICE *of*
INSPECTOR GENERAL



NARA's Refile Processes at Selected Federal Records
Centers

May 17, 2016

OIG Audit Report No. 16-07

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Executive Summary

The National Archives and Records Administration's (NARA) Federal Records Centers (FRCs) store records for agencies, including individual and corporate tax returns for the Internal Revenue Service (IRS). Under an interagency agreement between NARA and the IRS, NARA provides for the retirement and storage of tax records, reference services, refiles,¹ interfiles,² taxpayer photocopy, relocation of documents, and any mandated security upgrades. At the request of the Archivist of the United States, the Office of Inspector General (OIG) conducted an audit of NARA's refile processes of IRS records. The audit assessed the effectiveness and adequacy of management controls in place for refiles of IRS records at six FRCs: [REDACTED]

[REDACTED]³

We identified weaknesses related to the timeliness, reporting, and accuracy of IRS refiles. Specifically, FRCs visited did not adhere to the timeframe requirements for refiling of IRS records as specified in the interagency agreement and did not accurately report the refile backlog times. Additionally there were no inventory listings to track records received; records were refiled incorrectly; and there was no process to track problems and resolutions at the FRCs.

There were also inconsistent processes for: quality control; verifying refile batch volumes; numbering batches; and tracking IRS record locations within the FRCs. We attribute these conditions to the Federal Records Centers Program (FRCP) Operations' need for standardized policies and procedures for IRS records at the FRCs. The lack of a coordinated approach for the IRS records limits the FRCs' ability to collectively meet the requirements of the interagency agreement between NARA and the IRS. Additionally, NARA could be at risk of losing a key funding source,⁴ which is essential for FRCs.

This report makes fourteen recommendations to initiate improvements which, when implemented, should help strengthen FRCs refile processes for IRS records.

¹ The physical act of replacing the records in their correct locations in the stacks.

² The process of filing "loose" or "late-flowing" documents which are found to be apart from their intended record.

³ During the course of the audit, we also identified information and physical security concerns at [REDACTED] and [REDACTED]. Those concerns were identified in OIG Audit Report No. 16-03, *Inadequate Information and Physical Security Controls at Select Federal Records Centers*, dated March 3, 2016.

⁴ The total revenue from the IRS interagency agreement was \$32,725,050 in FY 2015.

Background

Title 44 United States Code (U.S.C.) Section 2907 authorizes the National Archives and Records Administration (NARA) to establish, maintain, and operate records centers for Federal agencies. Federal Records Centers (FRCs) store, service, secure, and process records. Servicing records means making available for use information in records and other materials by furnishing the records or other materials to a Federal agency for official use. NARA maintains its Federal Records Centers Program (FRCP) within Agency Services. FRCP Operations: (1) receives records from Federal agencies for records center storage, servicing, or processing, pending their accession to NARA or other authorized disposition; and (2) services records by furnishing the records, or information from them, or copies of them, to Federal agencies and the public. The FRCP operates eighteen FRCs throughout the country, which service nearly four hundred Federal agency customers, hold more than twenty-seven million cubic feet of records, and service thirteen million reference requests annually.

In February 2015 we completed an audit⁵ of the interfile and refile processes at the National Personnel Records Center (NPRC). We identified several areas to strengthen the environment for managing and accounting for records at the NPRC. The Archivist of the United States alerted the Office of Inspector General (OIG) of potential risks involving refile processes at one FRC housing Internal Revenue Service (IRS) records. We conducted this audit to examine the refile processes of IRS records⁶ at selected FRCs.

According to the Statement of Work (SOW) issued under the Interagency Agreement between NARA and the IRS⁷, NARA shall:

- (1) refile all documents based on the following timeframes (from the day received at the FRC) dependent upon the type of refile and year of the file:

Current Year Refiles	Seven (7) Working Days
Prior Year Refiles	Twelve (12) Working Days
Older than (2) year Refiles	Twenty (25) Working Days

⁵ OIG Audit Report No. 15-06, *Audit of NARA's Processing of Military Interfiles and Refiles at the NPRC*, dated February 10, 2015.

⁶ The IRS tax records are temporary records eligible to be destroyed six years after the end of the processing year.

⁷ A new SOW was negotiated for FY 16 (after fieldwork ended), effective April 1, 2016. The SOW revised the timeframes for Current Year, Prior Year, and Older than (2) Year Refiles.

- (2) complete attachments in the same runs as refile documents to allow the IRS to produce longer document runs of refiles and attachments, which can be returned to the shelves of the FRC in a more expeditious and economical manner;
- (3) eliminate refile/attachment backlogs to improve customer service; and
- (4) search appropriate refile returns when a special request is received and no return is found in the regular file folder.

The SOW also requires FRCs to send weekly inventory reports to the IRS. The weekly inventory reports include beginning and ending inventories, volume of receipts, volume processed and the oldest dates for each type of work. The mixed refiles⁸ portion of the weekly inventory report provides a breakdown of mixed refile/attachment inventories and oldest date by Current Year Mixed Refiles (Current Year), Prior Year Mixed Refiles (Prior Year), and Mixed Refiles Older than Two Years (Older Year).

FRCs serve records from various IRS service centers throughout the United States, and perform IRS reference work, including refiles. Table 1 below shows the volume of refiles completed as of June 19, 2015⁹ and total IRS holdings for FY 2015 for the FRCs audited.

Table 1 – Federal Records Centers - Completed Refiles and IRS Holdings

Federal Records Centers	Location	Completed Refiles (as of June 19, 2015)	FY 2015 IRS Holdings (cubic feet)
[REDACTED]	[REDACTED]	335,593	1,571,204
[REDACTED]	[REDACTED]	286,647	519,637
[REDACTED]	[REDACTED]	148,256	707,344
[REDACTED]	[REDACTED]	80,971	877,411
[REDACTED]	[REDACTED]	8,304	271,036
[REDACTED]	[REDACTED]	357 ¹⁰	220,574

⁸ Mixed refiles include refiles and interfiles.

⁹ Date of our testing.

¹⁰ [REDACTED] primarily stores IRS Form 1120, *U.S. Corporation Income Tax Return*, which are not highly requested.

Objectives, Scope, Methodology

The audit objective was to assess the effectiveness and adequacy of management controls in place for refiles of IRS records at selected FRCs. Specifically, we evaluated IRS refile processes and procedures, and tested IRS refiles for timeliness and accuracy. The audit was conducted at the [REDACTED] FRCs. The locations selected were based on the OIG's review of FRCs, along with input from the Archivist of the United States and the Executive for Agency Services.

To accomplish our objectives, we interviewed representatives at the visited FRCs. We reviewed the SOW between NARA and the IRS. We examined applicable Federal requirements and NARA guidance, including: (a) Title 44 U.S.C., Chapter 29, *Records Management by the Archivist of the United States and by the Administrator of General Services*; (b) Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*; (c) NARA 101, Part 7, *Agency Services*; and (d) NARA Directive 1608, *Protection of Personally Identifiable Information (PII)*. We also reviewed NARA's 2014-2018 Strategic Plan, 2014 Annual Performance Plan, Open Government Plan 2014-2016, meeting minutes, organizational charts, and various internal reports.

In order to test whether the timeframe requirement according to the SOW was met at the FRCs visited,¹¹ we obtained weekly inventory reports from October 3, 2014 through June 19, 2015.¹² For each week, we calculated the number of days the oldest refiles were on hand and compared those totals to the timeframe requirements. We also estimated the average weekly refile backlog volumes. Further, we tested the accuracy of IRS refiles. We judgmentally selected samples at each FRC visited¹³ for accuracy testing.¹⁴

This performance audit was conducted in accordance with generally accepted government auditing standards between June 2015 and November 2015.¹⁵ The generally accepted government auditing standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

¹¹ We did not test [REDACTED] as the facility received a waiver of their reporting requirement.

¹² This judgmental, non-statistical sample cannot be projected to the intended population.

¹³ We did not test [REDACTED] for accuracy based on low volume of refiles and time limitations while on site.

¹⁴ This judgmental, non-statistical sample cannot be projected to the intended population.

¹⁵ During the course of the audit, we expanded the objectives to assess the effectiveness of management controls related to information and physical security at the [REDACTED] FRCs resulting in a separate report (*Inadequate Information and Physical Security Controls at Select Federal Records Centers, 16-03*) which delayed reporting.

audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit was conducted by Kimberly Boykin, Senior Program Auditor, and William Brown, Program Auditor.

Audit Results

1. FRCs Did Not Meet Refile Timeframes and Reported Inaccurate Data to the IRS.

FRCs did not consistently meet timeframe requirements for IRS refiles, nor did some FRCs accurately report refile backlog times and volumes to the IRS. These conditions occurred because proper controls were not in place to monitor weekly inventory reporting to ensure it was consistent and in accordance with the SOW. Management also indicated limited staff at some of the FRCs. According to GAO's *Standards for Internal Control in the Federal Government*, management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. As a result of not refiling the records timely, NARA is not able to promptly and efficiently locate records and fulfill IRS records requests per the interagency agreement, which could lead to additional charges to the IRS for special searches.

SOW Timeframe Requirement

We reviewed the FRC's weekly inventory reports to determine whether the timeframe requirements were met as outlined in the SOW. We also calculated the average number of days the oldest refiles were on hand and estimated the average weekly volume for each category of refiles in the SOW. We found each FRC did not always meet IRS refile timeframe requirements. Specifically, [REDACTED] experienced large backlogs of records to be refiled, while [REDACTED] experienced minimal backlogs. While FRC management was aware of the backlog, action was not always taken to address the backlog and meet the timeframe requirements.

[REDACTED] and [REDACTED]

[REDACTED] and [REDACTED] did not always meet timeframe requirements for Current, Prior, or Older Years' refiles. On average, [REDACTED] and [REDACTED] were six and two months, respectively, behind in completing current year refiles. [REDACTED] and [REDACTED] averaged over 126,000 and 95,000, respectively, for total refiles in backlog each week (See Table 2).

[REDACTED] Director acknowledged the backlog of IRS refiles, and attributed the backlog to staff changes and consistent understaffing. [REDACTED] Director indicated instead of prioritizing IRS refiles, staff were directed to complete other assignments. This management-directed practice was done to ensure employees had work to perform at the

end of the fiscal year. Management's inability to control the facility's responsibilities should not cause agreed-upon timeframe requirements to be dismissed.

Table 2: [REDACTED] and [REDACTED] Refile Backlog

Refile Category	Timeframe Requirement	Number of Weeks Noncompliant	Average Days of Refile Backlog	Estimated Average Weekly Backlog Volume
		[REDACTED]		
Current Year	7 days	38 out of 38	183	79,909
Prior Year	12 days	38 out of 38	180	38,395
Older Year	25 days	38 out of 38	252	8,336
			<i>Total</i>	<i>126,640</i>
		[REDACTED]		
Current Year	7 days	38 out of 38	67	35,000
Prior Year	12 days	33 out of 38	125	33,595
Older Year	25 days	37 ¹⁶ out of 37	137	26,611
			<i>Total</i>	<i>95,206</i>

[REDACTED]

Our testing of [REDACTED] weekly inventory report indicated the facility periodically met the timeframe requirements. However, when we visited the facility, we noted numerous rows of IRS boxes waiting to be refiled, which did not correspond to the facility's weekly inventory reports. We pulled refile boxes from one shelf to determine how long the boxes had been at [REDACTED]. The oldest observed date was May 22, 2014, nearly a year prior to the oldest date reported in the weekly inventory report. Other boxes pulled included dates from June and July 2014.

[REDACTED] staff was unaware of the total volume of refiles in the backlog, but indicated the oldest date of refiles was from 2012. The Assistant Director acknowledged the backlog and attributed it to understaffing, which at the time of our visit the facility was only staffed at 45 percent. [REDACTED] started the process of hiring additional staff at the time of our visit and management indicated the new hires would assist in eliminating the refile backlog.

¹⁶ One week's report was missing Oldest Date data for Older Year refiles; therefore, we only tested 37 weeks.

██████████ and ██████████
 ██████████ and ██████████ experienced minimal refile backlog. The ██████████
 and ██████████ Directors attributed their backlog to staffing issues. ██████████ Director
 specifically mentioned the end of NARA's student program, which caused ██████████ to
 adjust processes to become compliant again. Management indicated ██████████ did
 not refile their IRS records in accordance with the requirements because there was
 limited volume of refile work and it was not made a priority.

Special Searches

The large backlogs at the FRCs visited contributed to the IRS being charged additional fees for special searches for record requests. Special searches¹⁸ are performed when requested records cannot be located and staff must search boxes of records, including those not refiled. During our visit to ██████████, we observed a requested record not in its proper location. It took an employee approximately one hour to search multiple locations in the facility for the record, eventually locating it in one of the boxes that needed to be refiled. Special searches related to records not refiled timely result in additional charges to the IRS and use valuable staff time, which could be used to perform other responsibilities.

Backlog Reporting

We reviewed the processes in place for reporting the IRS refile backlog and found the FRCs did not utilize the same methodology to complete the reports. Additionally, some of the FRC's weekly inventory reports were inaccurate. Specifically, we noted:

- ██████████ instead of using the date refiles were received in the weekly inventory reports, the date the records were batched was used, which could be several days later than when the records were received. This led to underreporting the oldest date in the weekly inventory reports.
- ██████████ an error in the spreadsheet miscalculated the Older Year refiles in February 2015, resulting in ██████████ consistently underreporting the oldest date for Older Year refiles until the OIG brought it to their attention. ██████████ corrected the miscalculation going forward, and stated processes would be adjusted to become compliant again.
- ██████████ inaccurately reported the extent of its IRS refile backlog. The facility only reported the volume of IRS refiles batched, not received. Received refiles were not included as a part of the weekly inventory reports until batched and counted as the facility believed the volumes reported by the IRS were unreliable. However, batching was not performed timely due to time constraints and limited staff. Therefore, the total

¹⁷ ██████████ only stores Current Year refiles.

¹⁸ In FY 2015, NARA billed the IRS \$188,315 for special searches.

volume of refiles in the backlog were underreported and the oldest date was not accurately communicated.

- [REDACTED] weekly inventory reports did not include the oldest date for each category of work performed. Therefore, it was difficult to determine how long refiles had been on hand and if they met the timeframe requirements.

NARA cannot ensure it is meeting the requirements outlined in the SOW without documented procedures and templates for FRC weekly inventory reporting.

Recommendations

We recommend the Executive for Agency Services:

Recommendation 1: Develop a plan to eliminate the backlog at each FRC.

Recommendation 2: Initiate onsite reviews at [REDACTED] and any other FRCs with unverified physical inventories to determine the extent of the IRS backlog, including performing physical inventories of IRS records awaiting refile, documenting dates received, and updating weekly inventory reports.

Recommendation 3: Create standardized FRC policies and procedures to process IRS records to meet timeframe requirements and accurately report IRS refile times and volumes to include enhancing controls to review all reports prior to sending to the IRS.

Management Response

Management concurred with the recommendations.

2. Incomplete Information for Records Received/Records Not Always Refiled Accurately

FRCs did not receive inventory listings to track records received; had no consistent method for verifying batch volumes; and did not always refile records accurately. These conditions occurred because the IRS did not provide a detailed accounting of records sent to the FRCs and management did not implement a strong internal control system, including standardized policies and procedures. According to GAO's *Standards for Internal Control in the Federal Government*, management establishes physical control to secure and safeguard vulnerable assets. Management also periodically counts and compares such assets to control records. Incomplete record tracking information does not allow the FRCs to verify and track records received. Also, failure to properly refile records could lead to lost records and delays when fulfilling requests.

Batch Volumes and Listings

We reviewed the processing of IRS refiles at the FRCs. We noted there was not a consistent process for verifying the volume of records received. We also noted boxes received from the IRS did not include a listing of records, by Document Locator Numbers (DLN),¹⁹ sent to the FRCs.

Batch Volumes

When the IRS sends records to an FRC, a Document Transmittal is included with each box. The form includes the total volume of records to be refiled within the box. The volume is used for billing purposes through NARA's Archives and Records Centers Information System (ARCIS).²⁰ Also included in each box are batch tickets, stating the total volume of records in each batch. [REDACTED] and [REDACTED] verified the volumes included on the batch tickets, notified the IRS when there was a discrepancy, and billed the IRS based on their verified count of refiles. [REDACTED] and [REDACTED] did not verify the volumes and billed the IRS for the volumes indicated on the batch ticket. [REDACTED] Assistant Director stated the IRS was willing to accept the billing risk of any potential discrepancies between the volumes included on the batch ticket versus what was actually received. We judgmentally selected five batches waiting to be refiled at [REDACTED] and verified the batch volume documented on the batch tickets. We noted a small discrepancy in four of the batches – three overstated the total batch volume, while one batch understated the volume. Based on the incorrect volumes, [REDACTED] potentially overbilled the IRS.

¹⁹ Each IRS record has a unique DLN assigned by the IRS.

²⁰ ARCIS allows agencies to conduct all transactions online, saving them time and reducing paperwork. The system also lets agencies track transactions electronically, giving them instant access to information about their records.

Batch Listings

FRCs were not able to verify refiles received as a complete listing was not provided by the IRS of the records sent. The batch ticket only listed the beginning and ending DLN. Therefore, employees blindly returned records to the stacks without a listing to be used as a check sheet or to identify chargeout sheets²¹ not found when a record was refiled. There was also no attestation by employees that all records received were accurately refiled.²² Without a listing, management cannot verify whether all records in a batch were properly refiled by employees. The lack of a listing also hampered quality control reviews (see Finding 4).

Misfiled or Missing Records

We performed testing to determine if records had been accurately refiled, and found records inaccurately refiled and potentially missing refiles. Specifically, we noted:

- Misfiled records – we located a misfiled record at [REDACTED] and [REDACTED] during our visits. Management was alerted for proper refile of the records.
- Missing record – one of seventy IRS records tested at [REDACTED] could not be located. We notified a [REDACTED] employee, who verified the record was not in the proper location and potentially missing. NARA Directive 1608, *Protection of Personally Identifiable Information (PII)*, requires NARA employees to report breaches of personally identifiable information (PII) in paper records immediately to a supervisor. Supervisors are required to report the breach of PII according to established incident handling procedures.
- Potentially missing records – we noted gaps in the folder sequences for IRS records in the stack areas at [REDACTED] and [REDACTED]. The missing folders could have been potentially lost or misfiled by FRC staff. However, according to [REDACTED] management, the missing folders most likely were either never created by the IRS or shipped to the FRC.

If FRCs cannot locate records, they will be unable to service the records to the IRS upon request, and PII in the records could be potentially compromised. Without record level tracking, FRCs are unable to track if records were received and stored.

²¹ IRS-prepared documents used as placeholders when IRS records are removed from their location in the stacks.

²² The NPRC mandated all employees certify records were properly refiled and interfiled, after incidents of employees intentionally discarding records that were to be interfiled. This certification was not required at FRCs.

Recommendations

We recommend the Executive for Agency Services:

Recommendation 4: Coordinate with the IRS to receive more detailed information, including record listings, to allow for improved tracking of IRS records at FRCs.

Recommendation 5: Establish standardized procedures for verifying batch volumes.

Recommendation 6: Coordinate with the Director, [REDACTED] Federal Records Center, to make all necessary reports concerning the missing record.

Recommendation 7: Update the batch signoff process requiring employees to attest every item included in a batch was properly refiled or interfiled.

Management Response

Management concurred with the recommendations.

3. FRCs Inconsistent with Other Refile Processes

FRCs had inconsistent processes for batch numbering and document locators. Inconsistencies occurred because management had not implemented standardized practices for the FRCP. According to GAO's *Standards for Internal Control in the Federal Government*, management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. As a result, FRCs may not be efficient in daily operations and rely on key person dependencies. Additionally, employees transferring to other FRCs may be forced to learn new procedures for the same core functions.

Batch Numbering

We observed different methods for numbering refile batches at the FRCs. [REDACTED] and [REDACTED] used the same, non-unique method for numbering batches. However, [REDACTED], [REDACTED] and [REDACTED] each used their own unique batch numbering systems. During the audit, we discussed the different methods with Agency Services management and in response new batch numbering methods were implemented at [REDACTED] and [REDACTED].

IRS Document Locators

Each FRC visited used different methods to track DLN locations, which caused some FRCs to be less efficient in determining batch starting and ending locations and at risk of losing expertise if seasoned employees left NARA. For example, [REDACTED] developed an Access database, which provided the starting and ending DLN locations for each row of the facility. Other FRCs used a combination of hardcopy document locators and the knowledge of seasoned employees. During our visit to [REDACTED], management expressed the desire to implement a better method for tracking the locations.

Recommendations

We recommend the Executive for Agency Services:

Recommendation 8: Implement consistent unique batch numbering processes at the FRCs.

Recommendation 9: Implement standard IRS document locators at the FRCs.

Management Response

Management concurred with the recommendations.

4. Quality Control Reviews Inconsistent

The FRCs were inconsistent in their quality control reviews. This condition occurred because there were no standardized procedures for quality control reviews at the FRCs. According to GAO's *Standards for Internal Control in the Federal Government*, management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. Also, management obtains data on a timely basis so the data can be used for effective monitoring. Without established procedures for quality control reviews, NARA management is unable to assess, monitor, or implement changes in internal controls.

The following describes the inconsistent practices in place at the FRCs for quality control reviews:

Selection

Draft guidance from 1988 instructed FRCs to select four percent of each IRS refile batch for quality control reviews. We could not determine the statistical rationale for reviewing four percent of the batch, which is still followed by [REDACTED] and [REDACTED]. The other FRCs visited [REDACTED] and [REDACTED] developed their own guidance for the reviews.

There were also no standard procedures for how FRCs selected samples for the quality control reviews. Although IRS refile batches include both refiles and interfiles, when employees selected samples they did not always include both refiles and interfiles. Without defined procedures on sample selection and criteria, employees could be incentivized to select only refiles for quality control review since refiles require less time and effort to review; and FRCP management may not be able to identify if there is a systemic problem with the refiling of records.

Timing

[REDACTED] did not perform timely quality control reviews. The batch we selected for testing had a missing record, but the quality control review had not been completed although the records were refiled five months prior. Staff indicated this delay was due to understaffing and time constraints on employees performing quality control reviews. Failure to conduct timely quality control reviews decreases the likelihood errors can be identified and addressed in a reasonable timeframe.

Tracking

Although [REDACTED] selected 25 records from each batch for review, we noted chargeout sheets were not maintained, errors were not tracked, and employees and supervisors were not notified when errors were identified. Additionally, a [REDACTED] supervisor reviewed each completed batch, but did not document the review occurred. Failure to properly notify employees and supervisors of errors does not allow for correction to prevent future occurrences. Further, the lack of supervisor signoff on completed quality control work limits the audit trail.

Chargeout Sheets and Interfiles

FRCs did not always have evidence to support refiles and interfiles were accurately performed. Batches received from the IRS often included intermingled refile and interfile records. For quality control reviews, returned chargeout sheets were used as evidence records were properly refiled; however, there were no chargeout sheets for interfiles. The lack of chargeout sheets for interfiles and a listing (see Finding 2) made it difficult to verify interfiles were returned to their proper location. For example, one batch selected for testing at [REDACTED] included 85 records. While 70 chargeout sheets were returned for the quality control review, there was no documentation to support the number of refiles and interfiles included in the batch. The difference in the original records in the batch and the chargeout sheets returned could have represented 15 chargeout sheets not returned because they were interfiles or records misfiled with no associated chargeout sheets. Also, FRCs' assumption that returned chargeout sheets corresponded to records appropriately refiled was not always accurate. For example, the missing record we identified at [REDACTED] (see Finding 2) through physical examination of the stack areas had a chargeout sheet returned. If the batch had not been selected for our testing, the quality control review would have considered the record accurately refiled.

Further, the process to determine if refiles were accurately performed varied by FRCs. For example, [REDACTED] procedure for documenting interfiles selected for review was to document a date noted on the interfile on the quality control document. The employee conducting the review would verify the record was correctly interfiled based on the date noted. At [REDACTED], quality control employees made copies of records selected for review prior to refile and interfile documents. The copies were used to verify the records were appropriately refiled. These practices were not followed at other FRCs as they had no way to know if the records were actually interfiled. After an OIG investigation, the NPRC implemented a process to enter identifying information for each interfile document during the batching process, which assisted in performing quality control reviews.²³

²³ Management Letter 12-18, *Veteran's Records Issues*, dated July 30, 2012.

Without information on the total number of refiles and interfiles in a batch, and physically checking some refiles in a batch, there is no assurance the records are properly refiled.

Employees performing Quality Control Reviews

Controls were not in place to prevent the same employee from batching, selecting the quality control sample, and refiling the records. In [REDACTED] and [REDACTED] the same employees batching the records for refiling also selected the records for review. Also, at [REDACTED] after selecting records for review, the quality control documents were not always secured in a locked cabinet as required by their procedures. The documents left in the open listed records selected for review and the employee assigned to refile the batch. Improperly securing documentation and inadequate separation of duty controls does not allow for an effective quality control review.

Recommendations

We recommend the Executive for Agency Services:

Recommendation 10: Establish standardized policies and procedures for the quality control reviews at the FRCs, including:

- a. The selection criteria and quality control sample percentage to ensure the quality and timeliness of the quality control review.
- b. Physically checking some percentage of refiles selected for review to ensure they were properly refiled.
- c. Establishing timeframes for when the reviews must be conducted.
- d. Documenting reviews performed, including records selected, errors identified, preparer and reviewer sign-off, and notification to employees and supervisors.
- e. Determining the appropriate method for reviewing interfiles.
- f. Ensuring different employees are responsible for the batching, selecting the quality control sample, refiling, and quality control review of records.
- g. A mechanism for tracking errors identified by employee and conducting periodic training when consistent errors are identified.

Recommendation 11: Conduct training for all employees on the policies and procedures for quality control reviews, including notification of errors and penalties.

Management Response

Management concurred with the recommendations.

5. Formalized Problem Tracking and Resolution Process Not in Place for IRS Records

There was no system in place to properly track problems with records received or stored at FRCs. There was also no process in place to ensure all problems identified were reviewed and resolved in a timely manner. These conditions occurred because management failed to implement a systematic process where all issues were reviewed and resolved. According to GAO's *Standards for Internal Control in the Federal Government*, management establishes physical control to secure and safeguard vulnerable assets. By not having a formalized problem resolution process, the FRCs are not able to effectively identify and address reoccurring problems and weaknesses, resulting in records being potentially misplaced or lost.

Periodically employees encountered problems when refiling IRS records, including FRC problems (size of the records and wrong list years) and IRS problems (illegible DLN, duplicate records, or no folder for the DLN sequence). If there was no resolution to the problem at the FRC, the records were returned to the IRS. We noted there was not a sufficient mechanism in place to track and resolve the problems identified, including those problem records forwarded to the IRS.

Miscellaneous Boxes

████████ stored fifty-six boxes of IRS orphan and miscellaneous records. The records were collected from various places around the facility, but due to incomplete information they could not be appropriately stored. While a listing of the items in the boxes was maintained, we noted there were no immediate plans for the records, including follow-up with the IRS. ██████████ Assistant Director indicated it had been difficult identifying where records belonged.

Failure to properly and timely identify problems with records hinders the FRCs' ability to provide the services as outlined in the SOW.

Recommendations

We recommend the Executive for Agency Services:

Recommendation 12: Establish standardized policies and procedures for tracking and documenting IRS record problems, including problems with refiles. Identify timeframes for resolution and when the IRS should assist with resolution.

Recommendation 13: Implement a mechanism (database, etc.) to facilitate the problem tracking and resolution process.

Recommendation 14: Identify a resolution for the fifty-six boxes of IRS records maintained in the IRS refile room.

Management Response

Management concurred with the recommendations.

Appendix A – Acronyms

ARCIS	Archives and Records Centers Information System
DLN	Document Locator Number
FRC	Federal Records Centers
FRCP	Federal Records Centers Program
FY	Fiscal Year
GAO	Government Accountability Office
IRS	Internal Revenue Service
NARA	National Archives and Records Administration
NPRC	National Personnel Records Center
OIG	Office of Inspector General
PII	Personally identifiable information
SOW	Statement of Work
U.S.C.	United States Code

Appendix B – Management Response



Date: **MAY 11 2016**

To: James Springs, Inspector General

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

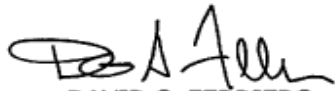
Subject: **OIG Draft Audit Report 16-07, *Audit of NARA's Refile Processes at Selected Federal Records Centers***

Thank you for the opportunity to provide comments on this draft report. We appreciate your willingness to meet and clarify language in the report. We concur with the 14 recommendations in this audit.

We remain concerned, however, with the report's implication that misfiled and missing Internal Revenue Service (IRS) refiles constitute Personally Identifiable Information (PII) breaches. The IRS holds both itself and NARA to very high information safeguard standards. According to NARA 1608, Protection of Personally Identifiable Information, breaches occur when records are out of NARA's control. Absent evidence to the contrary, NARA presumes the missing files have been misfiled or otherwise misplaced within the facility. This is in accordance with both NARA and IRS policy, and reflects the significant safeguards that are required by the IRS in NARA facilities that handle IRS records. Additionally, the IRS has assured NARA it does not treat similar situations involving misfiled or missing records as PII breaches in their own file centers.

We also want to highlight that in October 2015, we implemented a standardized backlog report for the IRS, which resolved the issue of individual FRCs using inconsistent methods to report backlog data. We believe that other inconsistencies in our process will be addressed when we create a national standard operating procedure for IRS refiles.

We will address the 14 recommendations further in our action plan.



DAVID S. FERRIERO
Archivist of the United States

NATIONAL ARCHIVES *and*
RECORDS ADMINISTRATION
8601 ADELPHI ROAD
COLLEGE PARK, MD 20740-6001
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