



November 16, 2020

TO: David S. Ferriero
Archivist of the United States

FROM: James Springs *James Springs*
Inspector General

SUBJECT: *Audit of National Archives and Records Administration's Fiscal Year 2020
Financial Statements*
Audit Report No. 21-AUD-03

We contracted with the independent certified public accounting firm of CliftonLarsonAllen, LLP (CLA) to audit the financial statements of the National Archives and Records Administration (NARA) as of and for the fiscal years ended September 30, 2020 and 2019. The report should be read in conjunction with NARA's financial statements and notes to fully understand the context of the information contained therein.

In connection with the contract, we reviewed CLA's report and related documentation and inquired of its representatives. CLA is responsible for the attached auditor's report dated November 10, 2020 and the conclusions expressed in the report.

The contract required the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. 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 and regulations.

Results of the Independent Audit

CLA issued an unmodified opinion on NARA's fiscal years 2020 and 2019 financial statements. CLA found:

- NARA's financial statements as of and for the fiscal years September 30, 2020 and 2019 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- No material weaknesses, but two significant deficiencies for FY 2020 in internal control over financial reporting based on limited procedures performed; and
- Two instances of reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts and grant agreements tested and other matters.

The report contains seventeen recommendations to improve NARA's internal control over financial reporting, including significant deficiencies in information technology controls and timely resolution of error, and noncompliance with laws and regulations. Your office concurred with all of the recommendations. Based on your November 13, 2020 response to the formal draft report, we consider all the recommendations open. Please submit an action plan for each recommendation by December 15, 2020. Once your office has fully implemented the recommendations, please submit evidence of completion of agreed upon corrective actions so that recommendations may then be closed.

As with all OIG products, we determine what information is publicly posted on our website from the attached report. Consistent with our responsibility under the *Inspector General Act, as amended*, we will provide copies of our report to congressional committees with oversight responsibility over NARA.

We appreciate the cooperation and assistance NARA extended to CLA and my staff during the audit. Please contact me or Jewel Butler, Assistant Inspector General of Audits, with any questions.

Attachment

cc: Debra Wall, Deputy Archivist of the United States
William Bosanko, Chief Operating Officer
Micah Cheatham, Chief of Management and Administration
Colleen Murphy, Chief Financial Officer and Senior Accountable Official
Swarnali Haldar, Chief Information Officer
Kimm Richards, Accountability
United States House Committee on Oversight and Government Reform
Senate Homeland Security and Governmental Affairs Committee



INDEPENDENT AUDITORS' REPORT

To: Inspector General
National Archives and Records Administration

Archivist of the United States
National Archives and Records Administration

In our audits of the fiscal years (FYs) 2020 and 2019 financial statements of the National Archives and Records Administration (NARA), we found:

- NARA's financial statements as of and for the FYs ended September 30, 2020 and 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- No material weakness, but two significant deficiencies for FY 2020 in internal control over financial reporting based on the limited procedures we performed¹; and
- Two instances of reportable noncompliance for FY 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and other matters.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)², and other information (OI)³ included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grants agreements; and (4) NARA's response to our findings and recommendations.

Report on the financial statements

In accordance with our contract with NARA's Office of Inspector General, we have audited NARA's financial statements 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; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). NARA's financial statements comprise the balance sheets as of September 30, 2020 and 2019; the related statements of net cost, changes in net position, and budgetary resources for the FYs ended; and the related notes to the financial statements.

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

¹A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

² The RSI consists of Management's Discussion and Analysis (MD&A), Deferred Maintenance and Repairs, and the Schedule of Budgetary Resources by Major Budget Accounts, which are included with the financial statements.

³ Other Information consists of information included with the financial statements, other than RSI and the independent auditors' report.

Management's Responsibility

NARA's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. *Government Auditing Standards* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and OI included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, NARA's financial statements present fairly, in all material respects, NARA's financial position as of September 30, 2020, and 2019, and its net cost, changes in net position, and budgetary resources for the FYs then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

1. In July 2020, the GAO issued a Comptroller General decision opining that NARA violated the Antideficiency Act during the FY 2019 Lapse in Appropriations when it incurred obligations in publication of the Federal Register. NARA has indicated that they disagree with the GAO ruling and is in consultation with OMB on their draft letter to GAO responding to their ruling. As of this report date, the letter has not been sent to GAO. Our opinion is not modified with respect to this matter.
2. Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the

financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

3. Other Information

NARA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on NARA's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of NARA's financial statements, we considered NARA's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to NARA's internal control over financial reporting in accordance with *Government Auditing Standards*.

Management's Responsibility

NARA's management is responsible for maintaining effective internal control over financial reporting, including 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.

Auditor's Responsibility

In planning and performing our audit of NARA's financial statements as of and for the year ended September 30, 2020, in accordance with *Government Auditing Standards*, we considered NARA's internal control over financial reporting as a basis for designing 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 over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on NARA's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of NARA's internal control over financial reporting. Given these limitations, material weaknesses and/or significant deficiencies may exist that have not been identified. However, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify, however, two deficiencies in internal control over financial reporting that we consider to be significant deficiencies, described below and in Exhibit A.

Longstanding Control Deficiency in Information Technology Controls

While NARA was able to remediate one prior year finding related to IT general controls, NARA did not substantially address deficiencies in its IT general control categories of security management, access controls, and configuration management that have existed since FY 2008. These longstanding unresolved deficiencies impact the effectiveness of NARA's information technology security program and internal controls over financial reporting.

Inadequate Internal Control over Timely Resolution of Error

NARA's monitoring controls over its service provider, Treasury's Administrative Resource Center (ARC), processes was inadequate to provide timely feedback to ensure that errors are adequately and appropriately resolved by NARA and ARC.

During our 2020 audit, we identified additional deficiencies in NARA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant NARA management's attention. We have communicated these matters to NARA management and, where appropriate, will report on them separately.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of NARA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of NARA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

In connection with our audits of NARA's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards*.

Management's Responsibility

NARA's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to NARA.

Auditors' Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to NARA that have a direct effect on the determination of material amounts and disclosures in NARA's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to NARA.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance for FY 2020, summarized below and described in Exhibit B, which would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to NARA. Accordingly, we do not express such an opinion.

Accountability of Tax Dollars Act (ATDA)

NARA was not compliant with the ATDA when it did not submit its FY 2019 audited financial statements to the Congress and the Director of OMB.

Antideficiency Act Violation (ADA) Reporting

NARA has not reported an ADA violation that occurred in FY 2019 to Congress, the President, and the Comptroller General of the Government Accountability Office as required by 31 U.S.C. 1351, 1517(b) and OMB Circular A-11, section 145.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

NARA's Response to Audit Findings and Recommendations

NARA's response to the findings and recommendation identified in our report is described in Exhibit C. NARA's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of NARA's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated November 11, 2019 and January 8, 2020. The status of prior year findings is presented in Exhibit D.

CliftonLarsonAllen LLP

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia
November 10, 2020

EXHIBIT A
Significant Deficiency
FY 2020

I. Longstanding Control Deficiency in Information Technology Controls (Modified Repeat Finding)

NARA relies extensively on information technology (IT) systems to accomplish its mission and in the preparation of its financial statements. Internal controls over these financial and supporting operations are essential to ensure the confidentiality, integrity and availability of critical data while reducing the risk of errors, fraud, and other illegal acts. NARA staff use IT system controls to initiate and authorize financial transactions at user workstations, which transmit those transactions across the network to servers that record, process, summarize, and report financial transactions in support of the financial statements.

While NARA was able to remediate one prior year finding related to IT general controls (see Exhibit C), NARA did not substantially address deficiencies in its IT general control categories of security management, access controls, and configuration management that have existed since FY 2008. These longstanding unresolved deficiencies impact the effectiveness of NARA's information technology security program and internal controls over financial reporting.

A summary of key findings related to the NARA Network (NARANet), Records Center Processing Billing System (RCPBS), and Order Fulfillment and Accounting System (OFAS) are categorized and listed by general control category as follows:

Access Controls – We found prior year weaknesses related to inactive user accounts remained unresolved. In addition, during FY 2020, access request documentation and evidence that exit clearance procedures were followed, were not available. Also, although annual account review processes were initiated for one system, it was not completed within 12 months of the previous review or before the end of FY 2020. Establishing access controls ensure user accounts are effectively managed.

Security Management – We found weaknesses related to plan of action and milestones (POA&Ms) management. Specifically, we noted a) a missed milestone date for one open POA&M; b) risks identified within security assessment reports and risk assessment reports were not always created into POA&Ms; and c) closed POA&Ms with either inadequate or missing evidence or approvals. In addition, we noted missing control implementation details within system security plans. Security management controls provide the framework for the continual assessment of risk, development of security procedures and monitoring the implementation effectiveness of those procedures.

Configuration Management – We found that while there were improvements in this area compared to FY 2019, configuration management weaknesses associated with vulnerability and patch management continue to exist. Specifically, we found prior year unresolved weaknesses related to the detection, remediation, and monitoring of high and critical risk vulnerabilities for software patches and updates, publicly known since 2019 or earlier. In addition, we found high and critical risk system configuration weaknesses which existed on NARA systems, publicly known from 2019 and earlier. Furthermore, documentation in support of system changes as evidence of the initial request, associated approvals, or testing, was not provided. Absent an effectively implemented and enforced configuration management program that addresses significant security

weaknesses, there is an increased risk that financial information may be inadvertently or deliberately disclosed, manipulated, or misappropriated.

The IT control deficiencies resulted from inadequate data migration efforts, an ineffective patch and vulnerability management program, reliance upon manual versus automated controls, as well as inadequate oversight by NARA management.

Our testing was based on the following key criteria:

- National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*:
 - AC-2 Account Management
The organization creates, modifies, disables and removes information system accounts in accordance with [Assignment: organization-defined procedures or conditions].
 - SI-2 Flaw Remediation
The organization identifies information systems affected by announced software flaws including potential vulnerabilities resulting from those flaws, and report this information to designated organizational personnel with information security responsibilities. Security-relevant software updates include, for example, patches, service packs, hot fixes, and anti-virus signatures.
 - SA-22 Unsupported System Components
The organization replaces information system components when support for the components is no longer available from the developer, vendor, or manufacturer.
 - CA-5 Plans of Action and Milestones
The organization develops a plan of action and milestones for the information system to document the organization's planned remedial actions to correct weaknesses or deficiencies noted during the assessment of the security controls and to reduce or eliminate known vulnerabilities in the system; and updates existing plan of action and milestones [Assignment: organization-defined frequency] based on the findings from security controls assessments, security impact analyses, and continuous monitoring activities.
 - PL-2 System Security Plans
The organization develop a security plan that describes the security controls in place or planned for meeting those requirements including a rationale for the tailoring and supplementation decisions.
- OMB Memorandum A-130, Appendix I, *Responsibilities for Protecting and Managing Federal Information Resources*
 - Establishes minimum requirements for Federal Information Programs and assigned Federal agency responsibilities for the security of information and information systems. The Circular specifically prohibits agencies from the use of unsupported information systems and system components, and requires agencies to ensure that systems and components that cannot be appropriately protected or secured are given high priority for upgrade or replacement. In addition, the Circular requires agencies to implement and maintain current updates and patches for all software and firmware components of information systems. Additionally, the Circular requires system security plans to be consistent with guidance issued by NIST.

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 its feeder systems.

Recommendations:

We recommend that the NARA Chief Information Officer continue to analyze and prioritize remediation efforts to accomplish security and control objectives. Key tasks should include, but are not limited to:

1. Ensure NARANet user accounts are reviewed and disabled in accordance with NARA's information technology policies and requirements (repeat recommendation).
2. Coordinate with other departments as necessary, to implement an authoritative data source which provides the current status of NARA contractors and volunteers at the enterprise level. (repeat recommendation).
3. Ensure system access requests are completed and retained for the duration of a users' system access (new recommendation).
4. Ensure the completion and retention of exit clearance forms and requests for all separated employees, in accordance with NARA's record retention requirements (new recommendation).
5. Ensure account reviews are completed in accordance with Access Control IT Methodology requirements (new recommendation).
6. Ensure plan of action and milestones for the NARANet and OFAS systems are created, updated and remediated, for each system, in accordance with NARA policies, guidance and directives, to include enhanced POA&M closure procedures (modified repeat recommendation).
7. Develop oversight mechanisms to ensure system security plans reflect current operational environments, include an accurate status of the implementation of system security controls, and all applicable security controls are properly evaluated prior to including in the plan (new recommendation).
8. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks (repeat recommendation).
9. Implement remediation efforts to address security deficiencies on affected systems identified, to include enhancing its patch and vulnerability management program as appropriate, or document acceptance of the associated risks (repeat recommendation).
10. Fully complete the migration of applications to vendor supported operating systems (repeat recommendation).
11. Ensure that records of configuration-controlled changes are retained within those systems (e.g. Remedy/ServiceNow) which retain those records, in accordance with the NARA records schedule (new recommendation).

II. Inadequate Internal Control over Timely Resolution of Error (Modified Repeat Finding)

In accordance with OMB A-11, Section 150, federal agencies are required to have a funds control system in place in order to ensure that federal funds are obligated and expended in accordance with appropriations law and to adhere to the requirements within the Antideficiency Act.

Also, per GAO *Standards for Internal Control in the Federal Government* (Green Book), Section 4, OV4.01 – “Management may engage external parties to perform certain operation processes for the entity, such as accounting and payroll processing...these external parties are referred to as service organizations. Management, however, retains responsibility for the performance of processes assigned to service organizations. Therefore, management needs to understand the controls each service organization has designed, has implemented, and operates for the assigned operational process and how the service organization’s internal control system impacts the entity’s internal control system.”

Principle 16.08 of the Green Book also states that “Management retains responsibility for monitoring the effectiveness of internal control over the assigned processes performed by service organizations. Management uses ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization’s internal controls over the assigned process.”

NARA contracts with Treasury’s Administrative Resource Center (ARC) to provide financial management services. NARA uses the PRISM system to record and track contracts and obligations. PRISM interfaces with ARC’s Oracle U.S. Federal Financials software (Oracle) as source system for budgetary related accounting transactions.

In FY 2019, we reported that NARA violated ADA by incurring obligations in excess of available appropriation. The error, detected during the 4th quarter Data Act reconciliation review, was caused by an issue between the PRISM and Oracle interface that was known to ARC. NARA’s monitoring controls over ARC processes was inadequate to provide timely feedback to ensure that errors are adequately and appropriately resolved by NARA and ARC.

Subsequently, NARA’s Office of Inspector General conducted a review and issued a report dated October 13, 2020 with a subject of “*Review of NARA’s Actions Resulting in the FY 2019 Antideficiency Act Violation.*” The OIG report evaluated NARA’s internal and management controls over the processes used, and NARA’s guidance related to obligations. In its report, OIG found that:

1. The Offices of the Chief Financial Officer (CFO) and Chief Acquisition Officer (CAO) relied on ARC’s system interfaces;
2. ARC did not adhere to its own oversight controls;
3. The CAO did not use appropriate cost allocations for Contract Line Item Numbers (CLIN) and, when the error was detected, the Contracting Officer did not require a new Purchase Request (PR) to correct the allocation; and
4. Interim Guidance 400-8, *Quarterly Reconciliation of Open Items for all NARA Funds*, does not require program offices to review open obligations for completeness.

Recommendations:

We recommend that NARA management implement the recommendations in OIG’s report as follows:

12. The Office of the Chief Acquisition Officer ensures Contracting Officers understand their responsibility to use appropriate cost allocations for each contract line (new recommendation).
13. The Chief Financial Officer update Interim Guidance 400-8, *Quarterly Reconciliation of Open Items for all NARA Funds*, to include a review of open obligations for completeness. There should be steps for contracting officer representatives and program office management to take if they detect an obligation is not complete, including how to bring any errors to the attention of the Office of the Chief Financial Officer (new recommendation).
14. The Chief Financial Officer and Chief Acquisition Officer ensure monthly DATA Act differences are adequately researched and corrected in a timely manner (modified repeat recommendation).
15. The Chief Financial Officer and Chief Acquisition Officer establish procedures for timely escalation of know errors (modified repeat recommendation)

EXHIBIT B

Noncompliance with Laws and Regulations

FY 2020

1. ADA Violation (Modified Repeat Finding)

NARA's general counsel concluded in a letter dated December 5, 2019, that NARA violated the ADA. See detailed description of the violation in Exhibit A on inadequate internal control over timely resolution of error. As of the date of this audit report, NARA has not reported the ADA violation to Congress, the President, and the Comptroller General of the GAO in accordance with 31 U.S.C. Section 1351,1517(b) and OMB Circular A-11, Section 145.

Recommendation:

16. We recommend that NARA Chief Financial Officer report the ADA violation in accordance with 31 U.S.C. Section 1351,1517(b) and OMB Circular A-11, Section 145.

2. Violation of the Accountability for Tax Dollars Act (ATDA)

NARA has not submitted to Congress and OMB (and others in the distribution list in OMB Circular A-136), nor published in its website its FY 2019 annual financial report (AFR), which is not in compliance with the ATDA requirements, and U.S.C Title 35, Section 3515.

Title 31, Section 3515 of the U.S. Code, Financial statements of agencies (as amended by ATDA), (a)(1) states that "Except as provided in subsection (e), not later than March 1 of 2003 and each year thereafter, the head of each covered executive agency shall prepare and submit to the Congress and the Director of the Office of Management and Budget an audited financial statement for the preceding fiscal year, covering all accounts and associated activities of each office, bureau, and activity of the agency."

OMB Circular A-136, *Financial Reporting Requirements*, Section I.5, states that for FY 2019, final AFRs are due to OMB, Treasury, GAO, and the Congress, by 6 p.m. EST on November 19, 2019. The final reports should be posted to the agencies' website the same day the report is submitted to OMB, GAO, and the Congress. The 508-compliant version of the final report can be posted to its website not later than 15 calendar days after issuance. The final report's website location must be clearly identified on the agency's homepage.

Recommendation:

17. We recommend that NARA Chief Financial Officer comply with ATDA and OMB A-136, Section I.5, by submitting its FY 2019 AFR to OMB, Treasury, GAO, and Congress, and update the Agency Head Letter; the CFO Letter, or another transmittal letter, explaining the reason for not being able to comply with the posting and submission deadline in FY 2019.

EXHIBIT C
NARA's Response to our Findings and Recommendations
FY 2020



Date: November 13, 2020

To: James Springs
Inspector General

From: David S. Ferriero
Archivist of the United States

Subject: Management Response to the FY2020 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, 2020.

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 challenges and the need to improve controls over NARA's financial management shared services provider to ensure the detection and correction of errors. NARA concurs with the recommendations in the report. 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.

Sincerely,



DAVID S. FERRIERO
Archivist of the United States

EXHIBIT D
Status of Prior Years' Recommendations
FY 2020

Our assessment of the current status of the recommendations related to findings identified in the prior year audit is presented below:

We recommend that the NARA Chief Information Officer continue to analyze and prioritize remediation efforts to accomplish security and control objectives. Key tasks should include, but are not limited to:		
1. Ensure NARANet user accounts are reviewed and disabled in accordance with NARA's information technology policies and requirements.	Significant Deficiency (SD)	Open; see 2020 SD recommendation "I.1."
2. Coordinate with other departments as necessary, to implement an authoritative data source which provides the current status of NARA contractors and volunteers at the enterprise level.	SD	Open; see 2020 SD recommendation "I.2"
3. Ensure plan of action and milestones for the NARANet and OFAS systems are created, updated and remediated, for each system, in accordance with NARA policies, guidance and directives.	SD	Open; see 2020 SD recommendation "I.6"
4. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks.	SD	Open; see 2020 SD recommendation "I.8"
5. Implement remediation efforts to address security deficiencies on affected systems identified, to include enhancing its patch and vulnerability management program as appropriate, or document acceptance of the associated risks.	SD	Open; see 2020 SD recommendation "I.9"
6. Fully complete the migration of applications to vendor supported operating systems.	SD	Open; see 2020 SD recommendation "I.10"
7. Perform a review and update (if needed) of the NARA Information Technology and telecommunications Support Services (NITTSS) Change Management Plan.	SD	Closed

<i>FY 2019 Recommendation (Report on Internal Control)</i>	<i>Type</i>	<i>Fiscal Year 2020 Status</i>
8. Verify that ARC implemented the appropriate corrective actions to ensure that future errors are mitigated.	SD	Closed
9. Implement monitoring procedures over ARC processes to ensure potential and actual errors are internally reviewed, mitigated, and corrected on a timely basis.	SD	Open - Modified Repeat; see 2020 SD recommendations 14 and 15”
<i>FY 2019 Recommendation (Report on Compliance)</i>	<i>Type</i>	<i>Fiscal Year 2020 Status</i>
1. Correct the funding deficiency for the contract in question.	Non-compliance	Closed
2. Report the Antideficiency Act violation in accordance with Title 31, Section 1351 of the U.S. Code and OMB guidance.	Non-compliance	Open; see 2020 non-compliance recommendation 1