



FY 2021 AGENCY FINANCIAL REPORT



Making Access Happen

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

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.

STRATEGIC GOALS

Make Access Happen

NARA will make all records available to the public in digital formats, to ensure that anyone can explore, discover, and learn from NARA holdings.

Connect with Customers

NARA will improve internal and external customer engagement to cultivate and sustain public participation, and generate new understanding of the importance of records in a democracy.

Maximize NARA's Value to the Nation

NARA will reform and modernize records management policies and practices within the Federal government to effectively support the transition to digital government. NARA will drive public and commercial re-use of historical government data and records to create measurable economic activity.

Build our Future Through Our People

NARA will create and sustain a culture of empowerment, openness, and inclusion; and ensure that NARA has a diverse workforce with the skills necessary to fulfill the agency's mission.

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NARA publishes financial results in its annual Agency Financial Report (AFR) and reports on performance results in its Annual Performance Report (APR), with its annual Congressional Budget Justification. Current and prior-year NARA AFRs and APRs are available at www.archives.gov/about/plans-reports/.

LETTER FROM THE ARCHIVIST OF THE UNITED STATES



I am pleased to present the FY 2021 Agency Financial Report (AFR) of the National Archives and Records Administration (NARA). The AFR is a report on NARA's

financial and performance results for FY 2021. The AFR allows the President, Congress, and the American people to assess our stewardship over the Government resources that have been entrusted to NARA.

NARA faced significant challenges this year meeting our high standards for providing a consistent and positive customer experience. The on-going COVID-19 pandemic continued to disrupt our operations and required us to close our facilities for extended periods at various points in the year. As a result of these extended closures, NARA has accumulated large volumes of unanswered records requests from our Federal agency customers and the public. We were forced to keep our public research rooms closed throughout the year and we limited public access to our museums and exhibits. For most of the year, NARA was not able to provide our customers with access to analog records or in-person services and experiences.

I look forward to substantially improving NARA's service to all of our customers in FY 2022. Today, public health metrics have improved at most NARA facilities compared to what we experienced throughout most of FY 2021. As conditions improve across the country, we are expanding on-site operations, increasing occupancy at our museums, and reopening our public research rooms where we can do so safely. We expect to continue to restore our on-site operations and customer service activities throughout FY 2022. We are dedicating all available resources to responding to unanswered customer requests and expanding in-person access to our records through our research rooms and museum exhibits.

We are investing in Information Technology to accelerate our responses to records requests and make our operations more resilient in the face of future emergencies. We are developing new, cloud-based technologies that will allow the National Personnel Records Center (NPRC), to respond to records requests using Official Military Personnel Files that have been digitized by the Department of Veterans Affairs. We enhanced the eVetRecs system to make it easier for members of the public to order records from the NPRC, and we are modernizing workflow management systems at the NPRC and the Federal Records Centers Program (FRCP) to move more of our systems to cloud-based applications. Finally, we are dedicating new resources to digitizing

our vast holdings of archival records and committing to improving the National Archives Catalog system to provide for efficient, free online access to even larger volumes of NARA records.

I am disappointed that we were not able to meet the needs of many of our customers and constituents in FY 2021. Our priority was to maintain a safe and healthy workplace for all of our employees, and I am proud of the work they were able to accomplish within the constraints imposed by COVID-19. I am optimistic that local public health conditions will continue to improve in FY 2022 and, as long as they do, I am confident that we will address the accumulation of unanswered records requests and fulfill new requests in a timely manner. We will continue to modernize our operations so that we can provide a world class customer experience to our customer Federal agencies and the public well into the future.

Despite the challenges of the pandemic, there are many areas where we have continued to make progress. One of our most notable accomplishments in FY 2021 was the work accomplished by the Archivist's Task Force on Racism. I chartered the Task Force in October 2020 to address racial inequality in both our customer facing operations and internally within our workplaces. Three teams of NARA employees researched current conditions within NARA, consulted staff and experts outside the

agency, and developed recommendations.

The work of the Task Force and its recommendations laid the groundwork for NARA's efforts to implement Executive Order 13985, Advancing Racial Equity and Support for Underserved Communities Through the Federal Government. We took several actions in FY 2021 to begin implementing E.O. 13985 and Task Force recommendations. NARA embedded equity considerations in agency decision-making, beginning with our FY 2022-2026 Strategic Plan. The new draft Strategic Plan updates the agency's objectives to prioritize improving equity and outreach to traditionally underserved communities, as well as other priorities. NARA initiated equity assessments for three programs in FY 2021: archival description; digitization of records; and the National Historical Publications and Records Commission grants program. These areas were selected so that we can capture and elaborate on the work of the Task Force and to ensure sustained success in these critical areas. We are committed to using our resources and influence to help advance government-wide goals for advancing equity.

NARA achieved many accomplishments in FY 2021 and demonstrated significant progress towards meeting the goals in our Strategic Plan. The accomplishments highlighted below demonstrate NARA's effective stewardship of Federal resources and our continued commitment to modernizing

government and improving services to citizens even during this unprecedented time.

Key Accomplishments

- The National Personnel Records Center (NPRC) continued to provide veterans and their families with copies of their military service records that are necessary to access their rights and benefits, despite the disruptions of the pandemic. Since the pandemic began, the NPRC has responded to over 500,000 requests, including over 20,000 requests involving homeless veterans, over 51,000 requests related to medical emergencies, and over 88,000 requests to support military burials.
- NARA successfully fulfilled its key role in the Presidential transition process. NARA took legal custody of the materials of the 45th Presidential administration on January 20, 2021 and launched the website for the Donald J. Trump Presidential Library. NARA transferred hundreds of millions of textual, electronic, and audiovisual records as well as Presidential gifts. Under the Presidential Records Act, the National Archives receives all records of the Trump administration, access to those records will be provided through the Donald J. Trump Presidential Library, controlled and administered by the National Archives.

- NARA successfully digitized 145 million pages and made these records available online through the National Archives Catalog. NARA uses the National Archives Catalog to provide free, public access to digitized images of archival Federal government records. NARA encourages members of the public to enhance our records with tags, transcriptions, and comments to help make our records easier to discover and use. In June 2021, NARA reached a milestone by surpassing two million pages of records enhanced with tags, transcriptions, and comments. This was attributed to the efforts of citizen archivists and agency employees working remotely.
- NARA's Distance Learning Team was awarded the Pinnacle award, the highest honor from the Center for Interactive Learning and Collaboration (CILC). The CILC is a nonprofit organization that helps teachers find, register for, and evaluate distance learning programs from providers around the world. The Pinnacle Award is awarded to content providers who receive a 95 percent or higher rating for the entire year on their evaluations;

Management Challenges and Opportunities

The NARA Inspector General has identified six 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.

Challenges in Information Technology (IT) security prevail as technology is constantly changing and security threats are constantly evolving. As Federal agencies create an ever-increasing volume of electronic records, we are looking at ways to ensure sufficient capacity, efficiency in throughput, and security of the Federal Government's records that must be preserved and made available to the public.

NARA continues to identify Human Capital practices as a material weakness. In FY 2021, we developed a consistent and equitable approach to standardized performance plans to comply with the OMB Performance Management Reform. We continue to collaborate with our shared services provider to review and correct HR data to ensure that this information is correct for all current and former employees.

Based on the status and progress that NARA has made to address its challenges and risks in FY 2021, I am able to provide a modified statement of assurance that – with the exceptions of material weaknesses in IT security and Human Capital practices – NARA's internal controls are meeting their intended objectives, as defined by OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Controls."

My assessment is based on results of internal control monitoring, testing and reporting conducted by NARA offices, discussions of weaknesses and risks conducted by NARA's internal control and risk management body, and audits and evaluations conducted by NARA's Office of Inspector General (OIG), the Government Accountability Office (GAO), and other third parties. I have also considered the advice of key management officials and the Inspector General in preparing this statement of assurance.

Our FY 2021 accomplishments are the result of the commitment and dedicated efforts of NARA employees, who take great pride in our mission. 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. We will continue to directly address our challenges, meet 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

National Archives and Records Administration
FY 2021 Agency Financial Report

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

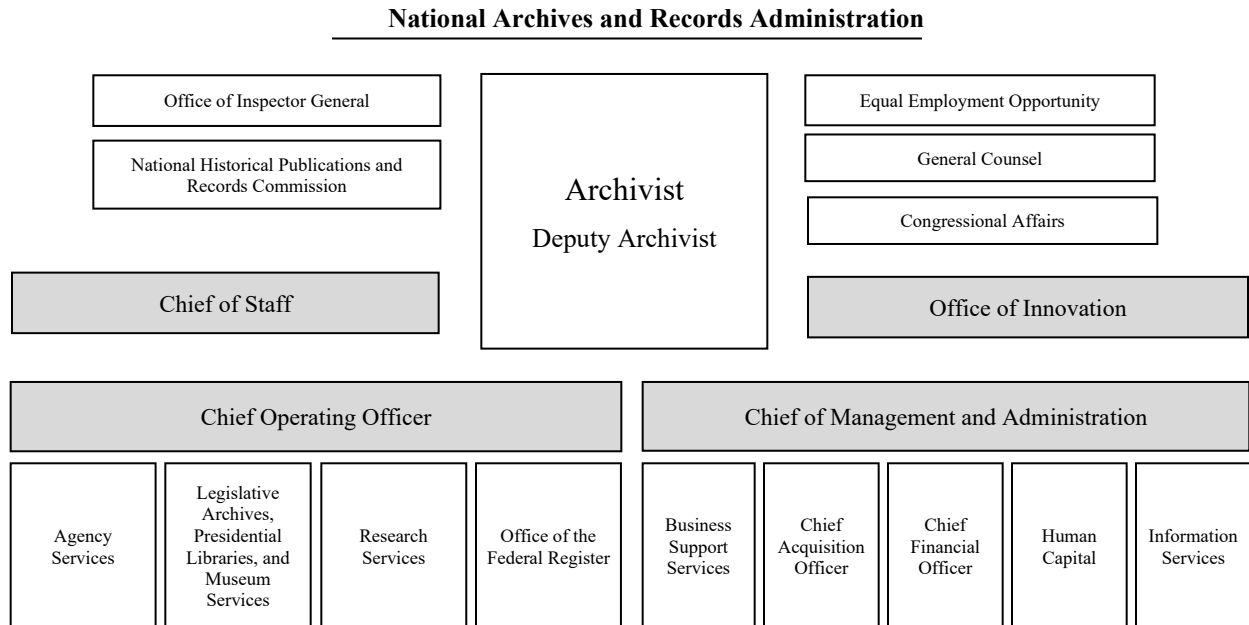
The Management's Discussion and Analysis (MD&A) section presents NARA's financial condition and program performance.

The MD&A provides an overview of NARA's organizational structure. It highlights key accomplishments in the program and financial performance, provides an analysis of the financial statements, and discusses NARA's internal controls, systems, and legal compliance with laws and regulations.

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 three “Services”: 1) Agency Services, 2) Research Services, and 3) Legislative Archives, Presidential Libraries, and Museum Services. NARA Services and the OFR report to the Chief Operating Officer, who reports to the Archivist of the United States. NARA’s management and administration offices report to the Chief of Management and Administration and include the Chief Acquisition Officer, Business Support Services, the Chief Financial Officer, Information Services, Strategy and Performance, and the Office of Human Capital. The Chief of Management and Administration reports to the Archivist of the United States. The Office of Innovation, 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.



- *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* focus 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.

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 completed basic archival processing of 96 percent of NARA’s unclassified records by the end of FY 2021. Archival processing refers to those actions that NARA must take in order to provide efficient access for researchers and members of the public.

In FY 2021, NARA modified this metric to report on unclassified records only. Previous reports included both classified and unclassified records; however, classified records cannot be processed until they are declassified. By removing classified records, NARA’s metric for basic archival processing increased substantially in FY 2021. However, NARA’s facilities remained closed for most of the year and few

additional archival records were processed.

Despite minimal access to physical workspaces for over a year, NARA continued to successfully add millions of digital pages to the National Archives Catalog to enable online access by researchers and staff.

NARA has not systematically included underserved communities in previous archival access processes. In FY 2022 and FY 2023, NARA will reach out to these communities to garner their support and work collaboratively with NARA to engage in efforts to improve the availability and access to records that represent their experiences and history.

Performance Goal: By FY 2021, 82 percent of NARA holdings will be processed to enable discovery and access by the public.

<i>Performance Measure</i>	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Target	2021 Actual	Status
Percent of archival holdings processed	85%	86%	89%	89%	81%	96%	Met

Connect with Customers

NARA views customer service as paramount to fulfilling its mission. We continuously engage with and learn from our customers: individuals, communities, organizations, and other Federal agencies.

This performance target consolidates

several customer service metrics. These metrics include NARA responses to written reference requests from the public and from other Federal agencies, items NARA furnished in public research rooms, orders NARA fulfilled for copies of military separation documents, and responses to FOIA

requests.

NARA fell short of meeting its target for this metric this year. The effects of the COVID-19 pandemic continued to disrupt nationwide operations. Many of NARA’s facilities have remained closed to support stay-at-home orders. Substantial backlogs of unanswered users’ requests have accumulated at NARA’s Federal Records Centers as a significant number of staff were unable to work onsite. Emergency requests were given priority and serviced, but NARA continued to accumulate backlogs of veterans and agency requests for records.

NARA reexamined business processes to minimize the negative impact and challenge of numerous facility closures.

This included developing a new capacity to service select requests remotely using digital records and secure methods of transmission.

In FY 2022 and FY 2023, NARA will focus on eliminating the pandemic backlogs. We will continue to examine processes to increase opportunities to be more flexible and responsive to fluctuations in demand.

NARA implemented a reopening pilot which opened the textual research rooms at the National Archives in Washington, DC and in College Park to agency researchers during the pandemic. NARA will examine new approaches to fulfill researcher requirements. This includes increasing online research capabilities.

Performance Goal: By 2020, 93 percent of customer requests will be ready within the promised time.

<i>Performance Measure</i>	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Target	2021 Actual	Status
Percent of customer requests ready within the promised time	91%	96%	97%	90%	93%	TBD ¹	Not Met

¹ Due to pandemic-related interruptions, NARA is not able to finalize this measure at this time; however, updated metrics will be reported in the forthcoming FY 2023 Annual Performance Plan/Report accompanying NARA’s FY 2023 Congressional Budget Justification.

Maximize NARA’s Value to the Nation

NARA exceeded its target to conduct inspections of 10% of Federal agencies’ records management practices. In FY 2021, NARA conducted inspections of 16 percent of Federal agencies and expanded oversight activities to include inspections, assessments, audits, unauthorized disposition case tracking and annual reporting. NARA continued to fulfill our oversight role despite pandemic disruptions by working remotely to conduct virtual inspections in partnership with other Federal agencies.

NARA has a statutory responsibility to provide guidance to agencies to meet their records management needs and regulatory requirements. NARA is modernizing records management practices across the Federal government, advancing digital preservation of archival electronic records and supporting the transition to digital government.

NARA will pursue several strategies in the next few years to accomplish this objective. Work continues on the development of guidance on the digitization of permanent analog records.

During the pandemic, many agencies expanded their use of collaborative tools to accommodate the need to operate virtually. In FY 2022, NARA will assess the collaborative tools and platforms that agencies are using to understand the records management implications and potential gaps in records management guidance. In FY 2023, NARA will issue guidance to agencies for managing, retaining, and transferring Federal records in collaborative working environments, websites, and social media.

NARA will also work with underserved communities to address equity considerations and incorporate equity related considerations in NARA’s record appraisal procedures.

Performance Goal: By FY 2019, NARA will conduct inspections of records management practices at 10 percent of Federal agencies per year, to ensure that Federal email and other permanent electronic records are being managed in an electronic format.

Performance Measure	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Target	2021 Actual	Status
Percent of Federal agencies inspected	3%	13%	12%	10%	10%	16%	Met

Build our Future Through Our People

NARA is committed to providing all our employees with learning and leadership opportunities necessary to successfully transition to a digital environment.

In FY 2021, NARA continued to partner with the Department of Treasury, Bureau of the Fiscal Service, Administrative Resource Center (ARC) to recruit and hire the best talent in a competitive market. Due to pandemic-related facility closures, NARA routinely delayed on-boarding of new hires in FY 2021, which negatively impacted this metric. We expect to see more positions filled within 80 days when public health conditions improve and NARA is able to successfully reenter the post-COVID workplace at all facilities.

In the development of NARA’s 2022 – 2026 draft Strategic Plan, NARA will focus on preparing and creating opportunities for career advancement

for staff. Through a series of initiatives, NARA will make improvements to increase equity and engage with underserved communities across the employment lifecycle at NARA.

In FY 2021, NARA established a Diversity Equity Inclusion Accessibility (DEIA) team and began the process to conduct preliminary assessments to understand the current workforce composition as it relates to DEIA. This data will inform decisions relating to recruitment, employment practices and policies, strategic planning, and other processes.

In FY 2022, NARA will integrate diversity and inclusion, civility, and health and wellness in NARA’s culture program. We will use employee feedback to improve organizational culture and encourage leadership approaches that support employee engagement.

Performance Goal: By FY 2020, 85 percent of NARA positions will be filled within 80 days

Performance Measure	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Target	2021 Actual	Status
Percent of NARA positions filled within 80 days	40%	48%	32%	35%	85%	19%	Not Met

Analysis of Financial Statements and Stewardship Information

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, 2021. The Financial Section of this report contains the financial statements, footnotes, and auditors' report.

NARA's financial statements consolidate the activity of the six Fund accounts under NARA's control. Appropriations from Congress finance the activities of the General Fund. 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 and archives-related activities. 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 of their records 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 operates and manages a diversified financial investment portfolio on behalf of the Presidential Library system and nationwide archival locations.

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, George W. Bush, and Gerald R. Ford Libraries.

Analysis of Combined Statement of Budgetary Resources

This statement provides information on the budgetary resources available to NARA as of September 30, 2021, and September 30, 2020, and the status of those resources.

Budget authority is the authority provided by law to enter into obligations that will result in future expenditures (outlays) of federal funds. NARA incurs obligations when placing an order, award of a contract, service received, or similar transaction, which will require payments during the same or a future period. Obligations reduce amounts available from budget authority or unobligated balances. Gross outlays reflect the actual cash disbursed by the Government in order to fulfill NARA's obligations.

NARA received \$720 million in total budgetary resources in FY 2021, an increase of \$40 million from FY 2020. This increase primarily due to additional funding provided by the COVID Relief and Response Act. Total net outlays (cash disbursements minus cash receipts) decreased \$30 million from \$416 million in FY 2020 to \$386 million in FY 2021.

Approximately 63 percent (\$451 million) of NARA's total budgetary resources came from current-year appropriations, and an additional 22 percent (\$161 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 (\$108 million).

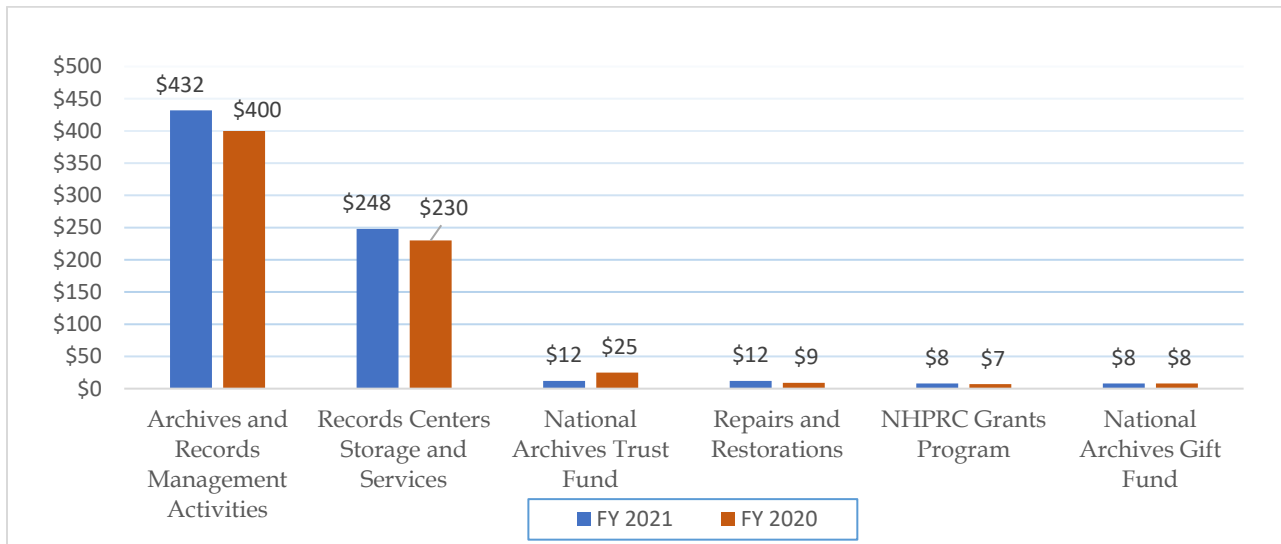


Figure 1: Total Budgetary Resources by Program (in millions)

In FY 2021, the COVID, Relief, and Response Act provided NARA’s Federal Records Center Program with an additional \$50 million to prevent, prepare for, and respond to the COVID-19 pandemic. These funds are available until September 30, 2022 and to offset the revenue loss due to the pandemic and to accelerate processing of requests for military service records at the National Personnel Records Center (NPRC).

NARA obligated \$33 million in FY 2021, leaving \$17 million available for obligation in FY 2022.

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.

Analysis of the Consolidated Balance Sheet

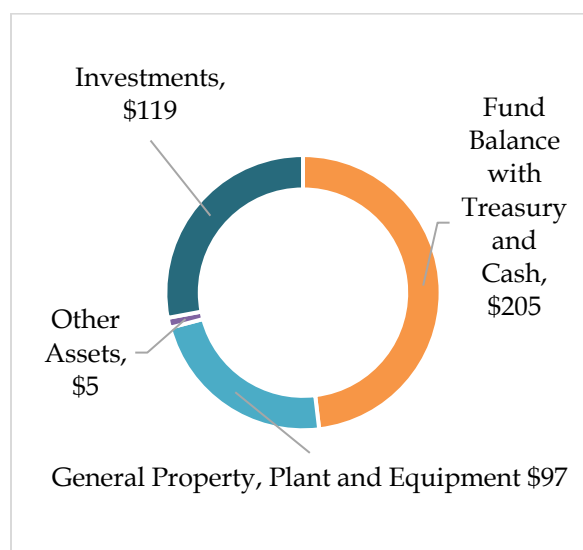
The Balance Sheet compares the amounts available for use by NARA (assets) to the amounts owed (liabilities) and amounts that make up the difference (net position).

Total Assets of \$427 million at the end of FY 2021 consisted of cash (*Fund Balance with Treasury*), buildings owned by NARA, internal-use software and equipment (*Property and equipment*), Trust and Gift Fund investments, and amounts owed to NARA by customers, mostly Federal agencies (*Accounts receivable*).

NARA’s FY 2021 total asset balance increased from FY 2020, by approximately \$38 million primarily due to additional funding provided by the COVID Relief and Response Act.

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change will support the preparation and audit of the Government-Wide Financial Report and will standardize the Balance Sheet across significant entries, increasing its usefulness to financial report users.

Figure 2: FY 2021 Assets (in Millions)

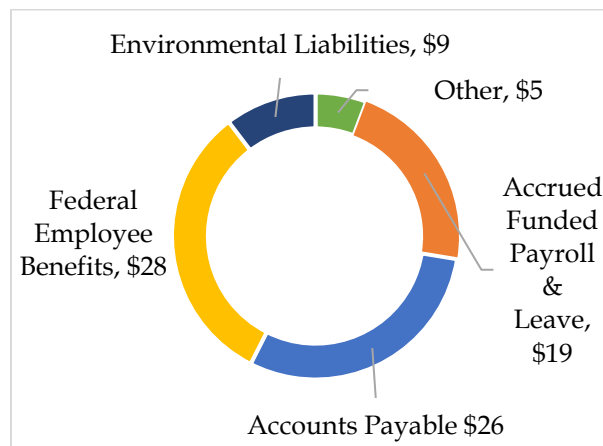


NARA held *Total Liabilities* of \$87 million at the end of FY 2021, no change from the previous fiscal year. Forty-two percent (\$36 million) of NARA's total liabilities are unfunded, i.e., budgetary resources are not yet available as of September 30, 2021.

The major elements of unfunded liabilities are \$11 million for the actuarial portion of *Federal Employees' Compensation Act (FECA)*, \$9 million for *Environmental asbestos clean-up costs*, and

\$16 million for unfunded annual leave balances of NARA employees.

Figure 3: FY 2021 Liabilities (in millions)



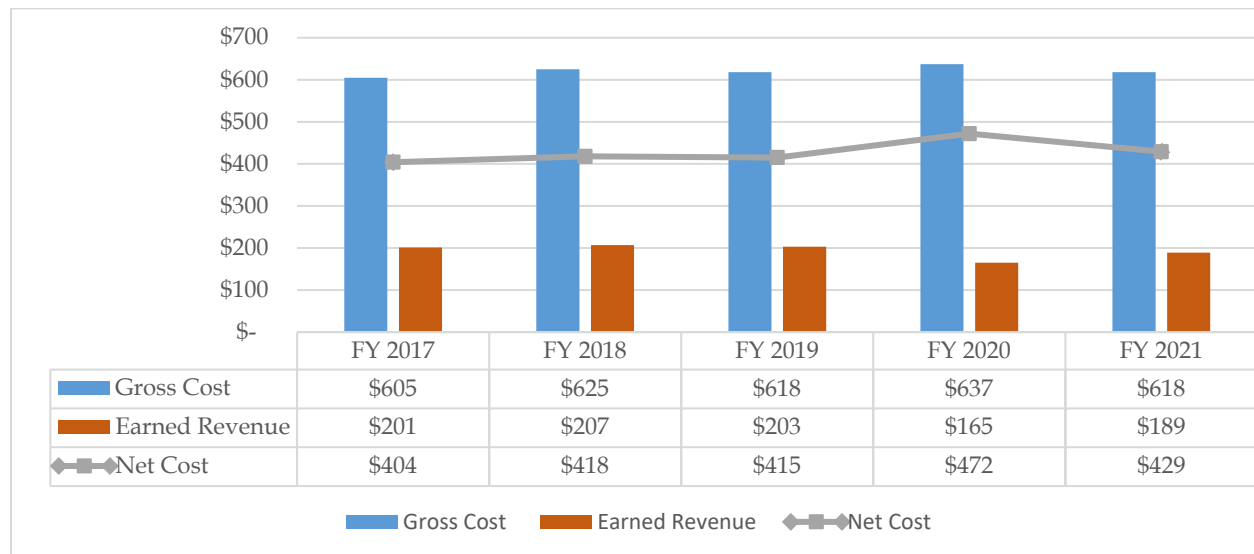
For most unfunded liabilities, budgetary resources will be made available in the year that the balances are due, per OMB funding guidelines.

Analysis of the Consolidated Results of Operations (Statement of Net Cost)

The Statement of Net Cost presents the full cost of NARA operations, by major programs, after intra-agency eliminations. Net costs include total gross costs, minus permitted revenues earned to offset against those costs.

NARA's total net cost of operations was \$429 million for FY 2021. NARA incurred \$618 million in gross costs in FY 2021, partially offset by \$189 million in revenues collected from Federal and non-Federal sources. Expenses financed by Congressional appropriations represent about 66 percent (\$407 million) of NARA's FY 2021 total gross costs.

Figure 4: NARA Net Cost of Operations (in millions)



Records Centers Revolving Fund,
 Results of Operations

Beginning in FY 2021, NARA changed its billing methodology from billing in arrears (after services were rendered) to billing customers within the current month for baseline services and storage fees. This timing change allowed NARA to increase our cash flow and pay for ongoing costs in the month in which they are incurred.

In FY 2021, the Records Centers Revolving Fund incurred \$200 million in gross costs, and earned \$168 million in revenues, resulting in net costs of \$32 million. Gross costs remained stable in FY 2020, and revenues increased by \$38 million due to the reopening of facilities.

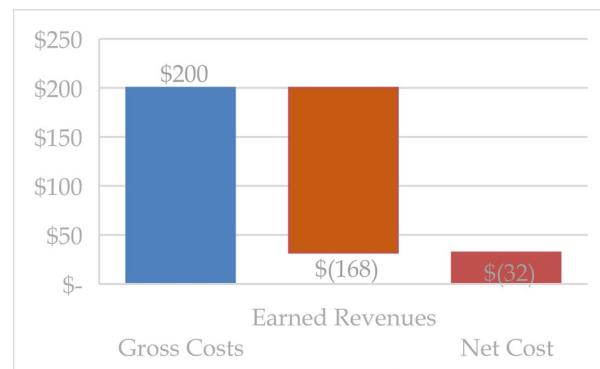


Figure 5: Records Center Results of Operations (in millions)

National Archives Trust and Gift Funds,
 Results of Operations

The National Archives Trust and Gift Funds realized net revenues from operations of \$10 million in FY 2021, a \$6 million increase from FY 2020.

Analysis of Controls, Systems, and Legal Compliance

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 laws; (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 2021 FMFIA assurance statement is included in the report.

OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

This circular requires agencies to implement an Enterprise Risk Management (ERM) capability coordinated with the strategic planning and strategic review process established by Government Performance and Results Act Modernization Act (GPRAMA), and the internal control processes required by FMFIA and Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book).

NARA's evaluation of its internal controls for the year ended

September 30, 2021, provides reasonable assurance that – except for material weaknesses associated with Information Technology Security and Human Capital – the Agency's internal controls achieved their intended objectives in FY 2021.

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 #21-04, *Audit Requirements for Federal Financial Statements*. NARA is not required to report separately on its compliance with FFMIA in its FMFIA reports; however, NARA is meeting FFMIA requirements.

Anti-Deficiency Act (ADA)

The Anti-Deficiency Act prohibits agencies from entering into obligations in excess of or in advance of appropriations. As a general rule, agencies are required to obligate the total value of the base period of a contract at the time of award because the Agency is legally committed to pay that amount.

In November 2019, NARA identified a violation of 31 U.S.C. § 1341(a)(1)(A) in the Operating Expenses appropriation of \$789.730 (Treasury account symbol 88 19 0300) caused by a system error when an awarded contract failed to interface with the financial system. The ADA

violation is pending submission to the President and Congress.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1996 was enacted to enhance the ability of the federal government to service and collect debts. NARA's shared-services providers for payroll, the Department of the Interior, Interior Business Center (IBC), and the Department of Treasury, Bureau of the Fiscal Service, Administrative Resource Center (ARC) manage NARA employee debts. 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, ARC transmits delinquent claims to Debt Management Services (DMS) for collection cross-servicing, in compliance with the Debt Collection Improvement Act of 1996.

Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) requires agencies to annually report on all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities and report the results of their improper payment activities.

An improper payment is any payment that should not have been made or that was made in an incorrect amount (including both overpayments and underpayments).

Digital Accountability and Transparency Act (DATA Act) of 2014

The Digital Accountability and Transparency Act of 2014 (DATA Act) (P.L. 113-101) was intended to make it easier to understand how the Federal government spends taxpayer dollars and improve oversight, data-driven decision-making, and innovation both inside and outside of the government.

NARA works cooperatively with our financial management shared services provider, the Department of Treasury, Bureau of the Fiscal Service, Administrative Resource Center (ARC), to certify and publish detailed quarterly spending data on the USAspending.gov website in compliance with the Data Act.

Forward-Looking Information

Make Access Happen

Make Access Happen affirms that “public access” is NARA’s core mission and is a higher calling that gives purpose and meaning to all our work. NARA is making access happen by delivering increasing volumes of records to the public online, using flexible tools and accessible resources that promote public participation. NARA is engaging with underserved communities to find opportunities to expand public participation and promote equity through our mission.

In FY 2022 and FY 2023, NARA will consult with its users, researchers, and traditionally underserved communities to identify records to digitize that will provide equitable representation of underserved communities in our digital holdings in the National Archives Catalog.

Connect with Customers

The effects of the COVID-19 pandemic continued to disrupt operations at NARA’s Federal Records Centers throughout FY 2021. Substantial backlogs of unanswered users’ requests accumulated as a significant number of staff were unable to work onsite at their local facility due to facility closures.

Planned improvements for FY 2022-2023 include efforts to modernize business processes to respond to remote reference requests using secure, digital delivery systems.

Maximize NARA’s Value to the Nation

NARA is modernizing records management practices across the Federal government, advancing digital preservation of archival electronic records and supporting the transition to digital government. During the pandemic, agency use of collaborative tools increased to accommodate the need to operate virtually, however, NARA systems do not support the ingest of electronic records created in collaborative platforms.

In FY 2023, NARA will issue guidance to agencies for managing, retaining, and transferring Federal records in collaborative working environments, websites, and social media.

Build our Future through our People

NARA must provide career development and career advancement opportunities for employees. Providing career development opportunities through career pathing will increase employee awareness of the required knowledge, skills, and experiences necessary to advance in a career path.

In FY 2022, NARA will analyze and document current organizational career paths to develop agency-wide career maps. NARA will also assess the training needs of employees in advancing to positions in mission critical occupations to ensure equity in NARA’s diverse workforce.

Management Assurances



Archivist of the
United States

November 8, 2021

FY 2021 STATEMENT OF ASSURANCE

Statement of Modified Assurance

The National Archives and Records Administration (NARA) Management is responsible for establishing, maintaining, and assessing internal controls to ensure operational and financial controls, and financial management systems meet the requirements and objectives of the Federal Managers' Financial Integrity Act (FMFIA), Federal Financial Management Improvement Act (FFMIA), OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* and the Digital Accountability and Transparency Act (DATA Act) of 2014. I am able to provide a modified statement of assurance that, with the exception of material weaknesses in NARA's Information Technology Security and Human Capital processes, NARA's internal controls are meeting their intended objective of providing reasonable assurance that:

- (i) Programs achieve their intended results;
- (ii) Resources are used consistent with NARA's mission;
- (iii) Programs and resources are protected from waste, fraud, and mismanagement;
- (iv) Laws and regulations are followed; and
- (v) Reliable and timely information is obtained, maintained, reported, and used for decision making.

Information Technology Security Material Weakness

The modified statement of assurance pertains to weaknesses and risks associated with controls over NARA's Information Technology Security, which was identified by NARA Management as a material weakness in Fiscal Year 2015. Although NARA completed actions leading to improvements in NARA's IT Security posture, I conclude that it remains a material weakness. Our plan to resolve this weakness consists of actions (1) to meet and sustain targets for metrics identified in the OMB/DHS Risk Management Assessment (RMA) and (2) to fully implement the Cybersecurity Framework (CSF) Strategy. The action plan is expected to be completed by Fiscal Year 2024.

Human Capital Material Weakness

In 2018, NARA Management identified a Material Weakness in Human Capital. This material weakness is associated with internal control deficiencies in Human Capital policies and procedures with emphasis on NARA's challenges in recruiting staff with the

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right skill set in a timely manner. In FY 2021, we developed a consistent and equitable approach to standardized performance plans to comply with the OMB Performance Management Reform. The remaining actions of (1) reviewing and correcting HR data for all current and former employees and (2) updating all HR policies are expected to be completed by Fiscal Year 2023.

This assessment is based on results of internal control monitoring, testing and reporting conducted by NARA offices, via NARA's Internal Control Program; information obtained and evaluated by management through daily operations; discussions of weaknesses and risks conducted by NARA's internal control and risk management body and; audits and evaluations conducted by NARA's Office of Inspector General (OIG), the Government Accountability Office (GAO), and other third parties. I have also considered the advice of key management officials and the Inspector General in preparing this statement of assurance.

Sincerely,



DAVID S. FERRIERO
Archivist of the United States

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. 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.

FINANCIAL SECTION

The Financial Section contains the Independent Auditors' Report, NARA's financial statements and notes to financial statements, and required supplementary information.

The financial statements provide a comparison of FY 2021 and FY 2020 results. NARA prepares these statements in conformity with the U.S. Generally Accepted Accounting Principles (GAAP) for the federal government and OMB Circular A-136, Financial Reporting Requirements.

The notes accompanying the financial statements describe significant accounting policies, as well as detailed information on the financial statement contents.

Principal Financial Statements

Consolidated Balance Sheet

As of September 30, 2021 and 2020

(in thousands)	2021	2020
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 205,258	\$ 146,515
Investments (Note 3)	9,677	11,344
Accounts receivable, Net (Note 4)	4,045	9,178
Advances	<u>-</u>	<u>85</u>
Total Intragovernmental	<u>218,980</u>	<u>167,122</u>
With the Public:		
Cash and other monetary assets	36	36
Accounts receivable, Net (Note 4)	338	370
Inventory and related property , Net (Note 5)	897	733
General property, plant and equipment, Net (Note 6)	97,132	123,399
Investments (Note 3)	109,093	96,601
Deferred Assets	<u>112</u>	<u>218</u>
Total with the Public	<u>207,608</u>	<u>221,357</u>
Total Assets	<u>\$ 426,588</u>	<u>\$ 388,479</u>
Stewardship PP&E (Note 7)		
Liabilities (Note 8):		
Intragovernmental:		
Accounts payable	\$ 1,895	\$ 1,200
Other Liabilities (Note 10)	<u>5,327</u>	<u>5,200</u>
Total Intragovernmental	<u>7,222</u>	<u>6,400</u>
With the Public		
Accounts payable	23,901	29,114
Federal employee benefits payable	27,538	11,298
Environmental and disposal liabilities (Note 9)	8,682	8,009
Other Liabilities:		
Accrued funded payroll and leave	19,483	17,318
Other liabilities (Note 10)	<u>40</u>	<u>15,080</u>
Total with the Public	<u>79,644</u>	<u>80,819</u>
Total Liabilities	<u>\$ 86,866</u>	<u>\$ 87,219</u>
Commitments and Contingencies (Note 12)		
Net Position:		
Unexpended Appropriations -Funds from Other than Dedicated Collections	<u>\$ 125,330</u>	<u>\$ 92,273</u>
Total Unexpended Appropriations (Consolidated)	<u>125,330</u>	<u>92,273</u>
Cumulative Results of Operations-Funds from Dedicated Collections (Note 13)	119,019	107,454
Cumulative Results of Operations -Funds from Other than Dedicated Collections	<u>95,373</u>	<u>101,533</u>
Total Cumulative Results of Operations (Consolidated)	<u>214,392</u>	<u>208,987</u>
Total Net Position	<u>\$ 339,722</u>	<u>\$ 301,260</u>
Total Liabilities and Net Position	<u>\$ 426,588</u>	<u>\$ 388,479</u>

The accompanying notes are an integral part of these statements.

National Archives and Records Administration
 FY 2021 Agency Financial Report

Consolidated Statement of Net Cost

For the years ended September 30, 2021 and 2020

(in thousands)

	<u>2021</u>	<u>2020</u>
Archives and Records Management Activities		
Gross costs	\$ 393,194	\$ 395,761
Less: Earned Revenue	<u>-</u>	<u>(290)</u>
Net Program Costs	\$ 393,194	\$ 395,471
Records Center Storage and Services		
Gross costs	\$ 200,284	\$ 201,176
Less: Earned Revenue	<u>(168,462)</u>	<u>(131,020)</u>
Net Program Costs	\$ 31,822	\$ 70,156
Trust and Gift Funds		
Gross costs	\$ 10,973	\$ 29,617
Less: Earned Revenue	<u>(20,932)</u>	<u>(33,656)</u>
Net Program Costs	\$ (9,959)	\$ (4,039)
Other Programs:		
National Historical Publications and Records Commission Grants	\$ 6,034	\$ 5,807
Archives Facilities and Presidential Libraries Repairs and Restoration	<u>7,680</u>	<u>4,344</u>
Net Other Program Costs	\$ 13,714	\$ 10,151
Net Cost of Operations	<u>\$ 428,771</u>	<u>\$ 471,739</u>

The accompanying notes are an integral part of these statements.

National Archives and Records Administration
FY 2021 Agency Financial Report

Consolidated Statement of Changes in Net Position

For the year ended September 30, 2021

(in thousands)	Combined Funds from Dedicated Collections	Combined Other than from Dedicated Collections	Consolidated Total
Unexpended Appropriations:			
Beginning Balance	\$ -	\$ 92,273	\$ 92,273
Appropriations received	-	447,823	447,823
Other Adjustments	-	(4,654)	(4,654)
Appropriations used	-	(410,112)	(410,112)
Net Change in Unexpended Appropriations	-	33,057	33,057
Total Unexpended Appropriations - Ending	\$ -	\$ 125,330	\$ 125,330
Cumulative Results of Operations:			
Beginning Balance	\$ 107,454	\$ 101,533	\$ 208,987
Financing Sources:			
Appropriations Used	-	410,112	410,112
Nonexchange Revenue	527	-	527
Donations and forfeitures of cash and cash equivalents	1,496	-	1,496
Transfers-in/out without reimbursement	(490)	513	23
Imputed financing	333	21,567	21,900
Other	118	-	118
Net Cost of Operations	9,581	(438,352)	(428,771)
Net Change in Cumulative Results of Operations	11,565	(6,160)	5,405
Cumulative Results of Operations - Ending	119,019	95,373	214,392
Net Position	\$ 119,019	\$ 220,703	\$ 339,722

The elimination column is omitted as no elimination activity impacts this statement.
The accompanying notes are an integral part of these statements.

National Archives and Records Administration
 FY 2021 Agency Financial Report

Consolidated Statement of Changes in Net Position

For the year ended September 30, 2020

(in thousands)	Combined Funds from Dedicated Collections	Combined Other than from Dedicated Collections	Consolidated Total
Unexpended Appropriations:			
Beginning Balance	\$ -	\$ 96,689	\$ 96,689
Appropriations received	-	385,923	385,923
Other adjustments	-	(5,998)	(5,998)
Appropriations used	-	(384,341)	(384,341)
Change in Unexpended Appropriations	-	(4,416)	(4,416)
Total Unexpended Appropriations - Ending	<u>\$ -</u>	<u>\$ 92,273</u>	<u>\$ 92,273</u>
Cumulative Results of Operations:			
Beginning Balance	\$ 102,053	\$ 171,483	\$ 273,536
Financing Sources:			
Appropriations Used	-	384,340	384,340
Nonexchange Revenue	698	-	698
Donations and forfeitures of cash and cash equivalents	1,013	-	1,013
Transfers-in/out without reimbursement	(643)	643	-
Imputed financing	320	19,667	19,987
Other	1,152	-	1,152
Net Cost of Operations	<u>2,861</u>	<u>(474,600)</u>	<u>(471,739)</u>
Net Change and Cumulative Results of Operation	5,401	(69,950)	(64,549)
Cumulative Results of Operations - Ending	107,454	101,533	208,987
Net Position	<u>\$ 107,454</u>	<u>\$ 193,806</u>	<u>\$ 301,260</u>

The elimination column is omitted as no elimination activity impacts this statement.
 The accompanying notes are an integral part of these statements.

National Archives and Records Administration
FY 2021 Agency Financial Report

Combined Statement of Budgetary Resources

For the years ended September 30, 2021 and 2020

(in thousands)	2021	2020
BUDGETARY RESOURCES:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 108,445	\$ 108,290
Appropriations (discretionary and mandatory)	450,752	389,193
Spending authority from offsetting collections (discretionary and mandatory)	160,502	181,900
Total budgetary resources	\$ 719,699	\$ 679,383
 STATUS OF BUDGETARY RESOURCES:		
New Obligations and Upward adjustments (total)	\$ 594,517	\$ 576,919
Unobligated balance, end of year:		
Apportioned, unexpired account	108,396	81,510
Exempt from apportionment, unexpired account	1,751	3,642
Unapportioned, unexpired accounts	2,274	2,807
Unexpired unobligated balance, end of year	112,421	87,959
Expired unobligated balance, end of year	12,761	14,505
Unobligated balance, end of year (total)	125,182	102,464
Total budgetary resources	\$ 719,699	\$ 679,383
 Outlays, net (discretionary and mandatory)	 \$ 389,023	 \$ 419,481
Distributed offsetting receipts	(2,966)	(3,228)
Agency Outlays, net (discretionary and mandatory)	\$ 386,057	\$ 416,253

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The National Archives and Records Administration (NARA) is an independent agency administered by the Archivist of the United States. It comprises various Operating Administrations, each with its management and organizational structure, which collectively provide services and access to essential records. NARA's financial statements presented include accounts of all funds under NARA's control. The Financial Summary of Management Discussion and Analysis provides details on the NARA accounts. NARA does not have reportable balances with disclosure entities or related parties.

B. Basis of Accounting and Presentation

These statements have been prepared from the accounting records of NARA in conformity with accounting principles (GAAP) generally accepted in the United States as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. The American Institute of Certified Public Accountants (AICPA) recognizes FASAB standards as GAAP for Federal reporting entities.

Transactions are recorded on both an accrual and budgetary basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and control over the use of Federal funds.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change will support the preparation and audit of the Government-Wide Financial Report and will standardize the Balance Sheet across significant entities, increasing its usefulness to financial report users.

C. Funds with the U.S. Treasury and Cash

Funds with the U.S. Treasury primarily represent appropriated, revolving, and trust funds. These funds may be used by NARA to finance expenditures. The U.S. Treasury processes NARA's cash receipts and disbursements.

Cash consists of imprest funds at Presidential Library museum stores. These funds are used to finance the store cashiers' start-up cash.

D. Accounts Receivable

Accounts receivable primarily consist of amounts due to the Revolving Fund for services provided to Federal agencies. Since receivables from other Federal entities are considered fully collectible, there is no requirement for an allowance for doubtful account.

E. Investments in Securities

NARA holds both Federal and Non-Federal investments. Investments in Federal securities are made daily and reported at cost. A third-party capital management firm, the Vanguard Group, holds all Non-Federal investments, and are classified as trading equity securities that have readily determinable fair values. The balance sheet reports Non-Federal securities at fair value. Unrealized holding gains and losses, as well as interest income earned, are recognized in earnings every month.

NARA employs the services of the Vanguard Group to monitor and manage endowments, received pursuant to 44 U.S.C. § 2112, for the George Bush Library, William J. Clinton Library, George W. Bush Library, and Gerald R. Ford Library. The endowments provide income to offset the operations and maintenance costs of each corresponding Presidential library. The Collective Fund reflects each endowment as a separate investment account. NARA also exercises its authority under 44 U.S.C. § 2306, to move a portion of federally held investments for the Presidential Libraries to Vanguard.

F. Inventories

The National Archives Trust Fund inventories, which consist of merchandise held for sale, are stated at the lower of cost or market value, with the cost determined using the average cost method. The basis for the allowance for damaged and obsolete goods is a historical analysis and evaluation of inventory turnover from year to year. Recording of expenses occurs at the sale of inventories.

G. General Property, Plant and Equipment (PP&E)

NARA's PP&E falls into two categories: general PP&E and Stewardship PP&E (heritage assets). General PP&E items are used to provide general government goods and services. General PP&E does not include heritage assets, defined as unique PP&E for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic (e.g., aesthetic) importance; or, significant architectural characteristics.

Multi-use heritage assets are heritage assets that are used predominantly for general government operations. General PP&E on the balance sheet includes the capitalization of costs of acquisition, significant betterment, or reconstruction of multi-use heritage assets and its depreciation.

H. Federal Employee Benefits

Employee Health and Life Insurance Benefits

All permanent NARA employees are eligible to participate in the contributory Federal Employees Health Benefit (FEHB) Program and the Federal Employees Group Life Insurance (FEGLI) Program and may continue to participate after retirement. Both programs require contributions from the employee based on the coverage options selected by the employee. NARA makes contributions recognized as operating expenses for the required employer share through the Office of Personnel Management (OPM) to FEHB and FEGLI.

OPM administers and reports the assets and liabilities for the post-retirement portion of these benefits. OPM finances these costs and NARA recognizes the full cost, including recognizing imputed cost for the difference between the estimated service cost and the sum of participants' pension benefit withholdings and agency contributions. Using the cost factors supplied by OPM, NARA recognizes an expense for the future cost of post-retirement health benefits and life insurance for its employees as an imputed cost on the Statement of Net Costs and imputed financing sources on the Statement of Changes in Net Position.

Employee Retirement Benefits

All permanent NARA employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). NARA makes the required employer contributions to CSRS and FERS and matches certain employee contributions to the thrift savings component of FERS. NARA recognizes these payments as operating expenses. The pension expense recognized in the financial statements equals the current service cost for NARA employees for the accounting period less the amount contributed by the employees. OPM, the administrator of these plans, supplies NARA with factors derived through actuarial cost methods and assumptions to apply in the calculation of the service cost. The excess of the recognized pension expense over the amount contributed by NARA and its employees represents the amount being financed directly by OPM and is considered imputed financing to NARA; this amount appears as an imputed cost on the Statement of Net Cost and as an imputed financing source on the Statement of Changes in Net Position.

Workers' Compensation Program

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The U.S.

Department of Labor (DOL) administers the FECA program, which pays valid claims and subsequently seeks reimbursement from NARA for these paid claims.

Actuarial FECA liability represents the liability for expected future workers' compensation benefits, which includes the liability for death, disability, medical, and miscellaneous costs for approved cases. The actuarial liability is determined by DOL annually, as of September 30, using a method that utilizes historical benefits payment patterns related to a specific incurred period, wage inflation factors, medical inflation factors, and other variables. These actuarially computed projected annual benefit payments are discounted to present value using OMB's economic assumptions for ten-year Treasury notes and bonds. Since DOL has not recognized neither the cost nor reimbursements, NARA computes actuarial FECA liability based on the model provided by DOL and presents it as a liability to the public on the Balance Sheet.

I. Accrued Annual, Sick and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. At the end of each fiscal year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. The amount of the adjustment is recorded as an expense. For appropriated funds, current or prior year appropriations are not available to fund annual leave earned but not taken. This liability is not covered by budgetary resources. Funding and payment occur in the year the leave is taken. The trust and revolving accounts fully fund annual leave when earned and are, therefore, included in the total liabilities covered by budgetary resources.

NARA expenses sick leave and other types of non-vested leave as taken.

J. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

K. Contingencies and Commitments

NARA generally recognizes an unfunded liability for those legal actions where unfavorable decisions are considered "probable," and an estimate for the liability can be made. Contingent liabilities that are considered "reasonably possible" are disclosed in the notes to the financial statements. Liabilities that are deemed "remote" are not recognized or disclosed in the financial statements.

L. Allocation of Program Management Cost

NARA is comprised of various operating administrations, each having its management and organizational structure. NARA allocates its general management and administrative support to its major components, *Archives and Records Management activities* and *Revolving fund*. General management costs are not allocated to the Trust

and Gift Funds, administered by the National Archives Trust Fund Board, which is an organization independent of and not funded by, NARA. All other programs appearing on the Statement of Net Cost, such as *Archives facilities and presidential libraries repairs and restoration* and *National Historic Publications and Records Commission Grants* are, in essence, a part of the *Archives and Records Management Activities* appropriation, which funds the related administrative costs. These sub-programs are shown separately to demonstrate accountability and custodial responsibility for the funds received for these programs.

M. Funds from Dedicated Collections

NARA is subject to the Statement of Federal Financial Accounting Standards (SFFAS) No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, which requires separate identification of the funds from dedicated collections on the Balance Sheet, and the Statement of Changes in Net Position. These funds are defined when the following three criteria are met: (1) a statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits, or purposes; (2) explicit authority for the fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and (3) a requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the fund from the Government’s general revenues.

Note 2 - Fund Balance with Treasury

Status of Fund Balances with Treasury	2021	2020
Unobligated Balance		
Available	\$ 100,434	\$ 73,772
Unavailable	15,035	17,311
Obligated Balance not yet disbursed	89,320	54,964
Sequestration for Trust fund	<u>469</u>	<u>468</u>
Total	<u>\$ 205,258</u>	<u>\$ 146,515</u>

This note provides additional information supporting the Fund Balance with Treasury reported on the Consolidated Balance Sheet.

Conditional donations, included in the available unobligated and obligated balance above, are obligated in accordance with the terms of the donor. All donations to Presidential Libraries and the National Archives with specific requirements are considered “conditional.” Endowments for the Presidential Libraries are conditional and have been obligated and invested in non-federal investments.

Note 3 – Investments

The Department of the Treasury issues Treasury securities to the Gift and Trust funds as evidence of its receipts. Treasury securities are an asset to the Gift and Trust Funds and a liability to the U.S. Treasury.

Since the Gift and Trust Funds and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole and do not represent an asset or a liability in the U.S. Government financial statements.

Treasury securities provide the Gift and Trust Funds with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Gift and Trust Funds require redemption of these securities to make expenditures, the Government finances those expenditures in the same way as all other expenditures: out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures.

(in thousands)	2021				
	Cost	Interest Receivable	Investments Net	Adjustments Fair Value	Market Value Disclosures
Intragovernmental Securities:					
(1) Marketable	\$ 9,677	\$ -	\$ 9,677	\$ -	\$ 9,677
Total Intragovernmental	<u>\$ 9,677</u>	<u>\$ -</u>	<u>\$ 9,677</u>	<u>\$ -</u>	<u>\$ 9,677</u>
Other Securities:					
(3) Trading (Mutual Funds)	84,934	181	85,115	23,978	109,093
Total Trading Securities	<u>\$ 84,934</u>	<u>\$ 181</u>	<u>\$ 85,115</u>	<u>\$ 23,978</u>	<u>\$ 109,093</u>
Total Investments	<u>\$ 94,611</u>	<u>\$ 181</u>	<u>\$ 94,792</u>	<u>\$ 23,978</u>	<u>\$ 118,770</u>
2020					
(in thousands)	Cost	Interest Receivable	Investments Net	Adjustments Fair Value	Market Value Disclosures
Intragovernmental Securities:					
(1) Marketable	\$ 11,344	\$ -	\$ 11,344	\$ -	\$ 11,344
Total Intragovernmental	<u>\$ 11,344</u>	<u>\$ -</u>	<u>\$ 11,344</u>	<u>\$ -</u>	<u>\$ 11,344</u>
Other Securities:					
(3) Trading (Mutual Funds)	84,196	218	84,414	12,187	96,601
Total Trading Securities	<u>\$ 84,196</u>	<u>\$ 218</u>	<u>\$ 84,414</u>	<u>\$ 12,187</u>	<u>\$ 96,601</u>
Total Investments	<u>\$ 95,540</u>	<u>\$ 218</u>	<u>\$ 95,758</u>	<u>\$ 12,187</u>	<u>\$ 107,945</u>

National Archives and Records Administration
 FY 2021 Agency Financial Report

Fair Value Measurements of Securities and Investments as of September 30, 2021

	Level 1	Level 2	Level 3	Other	Total
Non-federal Securities					
(3) Trading (Mutual Funds)	-	-	118,770	-	118,770
Total Fair Value Measurements	\$ -	\$ -	\$ 118,770	\$ -	\$ 118,770

Fair Value Measurements of Securities and Investments as of September 30, 2020

	Level 1	Level 2	Level 3	Other	Total
Non-federal Securities					
(3) Trading (Mutual Funds)	-	-	96,601	-	96,601
Total Fair Value Measurements	\$ -	\$ -	\$ 96,601	\$ -	\$ 96,601

The Fair Value Levels identified above are defined as follows:

Level 1 - Reflects the unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date.

Level 2 - Reflects inputs other than quoted prices in Level 1 that are directly or indirectly observable for the asset.

Level 3 - Reflects unobservable inputs for the asset.

Note 4—Accounts Receivable, Net

Intra-governmental Accounts Receivable primarily consist of amounts due to the Revolving Fund for services provided to Federal Agencies.

(in thousands)	2021	2020
Intragovernmental:		
Accounts Receivable, Gross	\$ 4,045	\$ 9,178
Allowance for Uncollectible Amounts	-	-
Accounts Receivable, Net	<u>\$ 4,045</u>	<u>\$ 9,178</u>
With the Public:		
Accounts Receivable, Gross	\$ 338	\$ 370
Allowance for Uncollectible Amounts	-	-
Accounts Receivable, Net	<u>\$ 338</u>	<u>\$ 370</u>

Note 5—Inventory and Related Property, Net

Inventories consist of merchandise held available for current sale at gift shops in the Presidential Libraries and National Archives buildings.

(in thousands)	2021	2020
Inventory held for sale	\$ 996	\$ 832
Allowance for damaged and obsolete goods	(99)	(99)
Net realizable value	<u>\$ 897</u>	<u>\$ 733</u>

Note 6 – General Property, Plant, and Equipment, Net

This note provides additional information supporting the General Property, Plant, and Equipment reported on the Consolidated Balance Sheet.

(in thousands)				2021	2020
Asset category	Useful life in years	Acquisition cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	N/A	\$ 2,628	\$ -	\$ 2,628	\$ 2,628
Buildings and Structures	30	404,920	(363,307)	41,613	56,408
Construction in Progress	N/A	2,149	-	2,149	1,364
Equipment & Shelving	3 to 20	118,869	(108,922)	9,947	12,757
Leasehold Improvements	various	48,895	(35,177)	13,718	16,415
Internal-Use Software	5	391,297	(375,841)	15,456	20,041
Software in Development	N/A	11,621	-	11,621	13,786
Total property, plant and equipment		<u>\$ 980,379</u>	<u>\$ (883,247)</u>	<u>\$ 97,132</u>	<u>\$ 123,399</u>

NARA capitalizes property items with a unit cost equal to or exceeding \$50 thousand, and construction and internal-use software development projects with the total development cost of \$250 thousand or greater, and a useful life exceeding two years. Internal-use software includes commercial off-the-shelf (COTS) software and internally-developed software. NARA expenses property items not meeting the capitalization criteria. Depreciation expense is calculated using the straight-line method over the useful life.

Land and Buildings and structures included above represent multi-use heritage assets. Assets deemed purely heritage assets are not included in the Balance Sheet. See Note 7 for further detail.

Note 7 - Stewardship Property, Plant, and Equipment

NARA is a custodian to multiple assets classified as “heritage,” including the National Archives Building in Washington, DC, all Presidential Libraries, traditional and electronic archival records, and a variety of artifacts. These heritage assets are integral to NARA’s mission to safeguard, preserve, and ensure continued access to the records of our Government.

Heritage assets, except for those designated as multi-use, are not included in the Balance Sheet, as no financial value is, nor can be placed on them.

The major categories of heritage assets for NARA are buildings, land, and archival holdings and artifacts. NARA reports archival holdings by collection (e.g., Presidential, regional) and storage media (e.g., traditional, electronic), to more closely align with NARA processes to maintain and preserve archival holdings.

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	Buildings	Multi-Use Land	Traditional Holdings Collections	Electronic Holdings Collections	Artifacts Collections
National Archives Building in Washington, DC	1	-	1	1	1
National Archives Building at College Park, MD	1 (multi-use)	-	1	1	1
NARA field archives	1 (multi-use)	1	12	-	-
Affiliated archives	-	-	7	2	-
Presidential Libraries	13	-	15	4	15
TOTAL	16	1	36	8	17

Buildings

The National Archives building in Washington, DC, permanently displays the Declaration of Independence, the Constitution, and the Bill of Rights. The National Archives building also houses permanently-valuable records relating to genealogy, Native Americans, pre-World War II military and naval-maritime matters, the New Deal, the District of Columbia, the Federal courts, Congress, and Vice Presidents Gore and Cheney.

The National Archives in College Park, MD provides appropriate storage and preservation for collections including electronic records, cartographic and architectural holdings, special media (still photographs, motion pictures, audio recordings, and videotapes), artifacts, the John F. Kennedy Assassination Records collection, textual records from most civilian agencies, and military records dating from World War II. Because the building also serves as NARA's administrative headquarters, the facility was deemed to be a multi-use heritage asset and included in general PP&E on the Balance Sheet (Note 6).

NARA's regional archives facilities are leased, with the exception of the National Archives at Atlanta, GA, built on land purchased by NARA. The National Archives at Atlanta building and land are designated as multi-use heritage assets and included in general PP&E on the Balance Sheet (Note 6).

NARA field archival facilities contain collections of archival holdings of value for genealogical and historical research, such as naturalization records and passenger lists, closed business and personal bankruptcy case files, and civil and criminal case files from Federal courts. The traditional military service records for the twentieth century and personnel records of former federal civilian employees from the mid-1800s through 1951 are managed at the National Personnel Records Center in St. Louis, MO.

Affiliated archives store some holdings of the National Archives. Currently, nine affiliated institutions store archival Federal records on behalf of NARA.

The fifteen Presidential Libraries are designated as heritage assets. Thirteen of the Presidential Libraries comprises a combination of buildings, structures, and land under NARA's management used to store, preserve, and display the collections of traditional archival holdings and artifacts from each respective Presidential administration.

In 2017, additional archival holdings relating to the Presidential records created during the administration of President Barack Obama were added to NARA's heritage assets. Unlike the other NARA Presidential libraries, whereby Presidential artifacts are made available through a traditional library or museum, the Obama heritage assets will be available digitally.

In 2021, additional archival holdings related to the Presidential records created during the administration of President Donald Trump were added to NARA's heritage assets. At this time, no plans have been made by the former president regarding a library or museum.

Multi-Use Land

NARA owns a parcel of land designated as multi-use at the National Archives in Atlanta, GA.

Traditional Archival Holdings

Traditional archival holdings consist of: (a) Traditional textual records on paper; and (b) Traditional non-textual records that are not electronic records, including: still pictures on paper and film; architectural drawings, charts, maps and other cartographic records on paper; textual records on microfilm; motion pictures, video, sound recordings; and other clearly non-textual records.

Electronic Archival Holdings

Electronic archival holdings are records in digital form, including but not limited to word processing documents, spreadsheets, emails (with attachments), databases, satellite imagery, and digital photographs from agencies in the executive, legislative, and judicial branches. The Electronic Records Archives (ERA) Base System and the ERA 2.0 System launched in October 2018, maintain electronic records from Federal agencies. Three Presidential electronic holding collections, from the Ronald Reagan, George H.W. Bush, and William J. Clinton administrations, are maintained in College Park, MD. The Executive Office of the President (EOP) instance of the ERA system has ingested unclassified electronic materials from the George W. Bush and Barack H. Obama administrations.

Artifacts

In addition to artifacts at the National Archives buildings at Washington, DC, and College Park, MD, each Presidential Library is a repository to a collection of artifacts that NARA preserves and exhibits to promote public understanding of the respective Presidential administrations and the career of the President. These artifact collections

include gifts from foreign heads of state, luminaries, and common citizens with artifacts ranging from high-value items -- including firearms, jewelry, works of art, and coins and currency -- as well as tee shirts, trinkets, and curiosities.

NARA's collections only grow with the accessioning of new records or transfer of Presidential materials. No collection is ever disposed of or retired. NARA accessions records when the Archivist of the United States has determined, through the formal scheduling and appraisal process, that records have sufficient administrative, legal, research, or other value to warrant their continued preservation by the Government (44 USC § 3303a). When in the public interest, the Archivist may accept Government records for historical preservation (44 USC § 2107) and accept non-Government papers and other historical materials for deposit (44 USC § 2111). The Archivist also administers Presidential and Vice-Presidential records in accordance with 44 U.S.C. Chapter 22. Methods of acquisition and disposal are according to the guidelines established through the legal authority granted to NARA. NARA's Annual Performance Report will provide performance details on progress in processing records and preservation efforts.

The most effective means to preserve records is by providing physically and environmentally appropriate storage conditions at NARA facilities. The Deferred Maintenance section of the Required Supplementary Information contains information about the deferred maintenance and repairs on NARA buildings.

Note 8 - Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities that are not funded by a direct budgetary authority in the current fiscal year. These liabilities result from the receipt of goods and services, or the occurrence of eligible events, for which appropriations, revenues, or other financing sources necessary to pay the liabilities have not yet been made available through Congressional appropriations.

(in thousands)	<u>2021</u>	<u>2020</u>
Intragovernmental		
Other Liabilities	\$ 560	\$ 677
Total Intragovernmental not covered by budgetary resources	<u>\$ 560</u>	<u>\$ 677</u>
Environmental liabilities	\$ 8,682	\$ 8,009
Federal employee benefits payable	<u>27,053</u>	<u>26,304</u>
Total liabilities not covered by budgetary resources	\$ 36,295	\$ 34,990
Total liabilities covered by budgetary resources	50,560	52,211
Total liabilities not requiring budgetary resources	<u>11</u>	<u>18</u>
Total liabilities	<u><u>\$ 86,866</u></u>	<u><u>\$ 87,219</u></u>

Note 9 - Environmental and Disposal Liabilities

NARA has recorded a liability for estimated cleanup costs related to asbestos in accordance with FASAB Technical Bulletin 2006-1: Recognition and Measurement of Asbestos-Related Cleanup Costs. This standard requires all Federal entities to disclose the estimated clean-up costs for the future removal of asbestos that does not pose an immediate health threat, known as “non-friable” asbestos. NARA has identified seven facilities (all are stewardship assets) where the existence of non-friable asbestos is probable. NARA developed a method to estimate the liability for future non-friable asbestos cleanup costs by using the quantity of non-friable asbestos identified in previous asbestos surveys and other reports, and the current cost to contain, remove, and dispose of it. This cost estimate is reviewed and updated annually, to account for any asbestos cleanup activity performed during the year, plus inflation.

Note 10 – Other Liabilities

(in thousands)	2021	2020
Intragovernmental:		
Workers' and unemployment compensation	\$ -	\$ 1,806
Accrued payroll benefits	4,732	3,352
Custodial liabilities	11	18
Miscellaneous liabilities	560	-
Advances from others	24	24
Total Intragovernmental	\$ 5,327	\$ 5,200
With the Public:		
Unfunded leave	-	14,979
Miscellaneous liabilities	36	98
Advances	4	3
Total other liabilities	\$ 5,367	\$ 20,280

Note 11 - Leases

The schedule below shows the total future non-cancelable lease payments by asset class:

Fiscal year	NARA Operating Leases				
	Asset Category (in thousands)				
	Land	Buildings	Federal	Non-Federal	Total
2022	\$ 173	\$ 41,455	\$ 30,757	\$ 10,871	\$ 41,628
2023	103	39,633	28,935	10,801	39,736
2024	-	38,475	28,006	10,469	38,475
2025	-	33,627	27,579	6,048	33,627
2026	-	33,523	27,498	6,025	33,523
After 2026	-	169,427	162,624	6,803	169,427
Total future lease payments	\$ 276	\$ 356,140	\$ 305,399	\$ 51,017	\$ 356,416

NARA leases office space, vehicles, copiers, and equipment under annual operating leases which are cancelable or renewable on an annual basis at the option of NARA.

NARA conducts the majority of its field operations from leased facilities, and most agreements are cancelable operating leases. These leases may be cancelled with four months' notice, under the provisions of the Federal Acquisitions Regulation.

NARA also has the following non-cancelable operating leases with GSA, which include no renewal options:

Facility	Lease Period
Pittsfield, MA	January 5, 1994 through January 31, 2025
Dayton (Kingsridge), OH	September 1, 2004 through January 31, 2033
Lenexa, KS	February 1, 2003 through February 14, 2023
Pershing Rd, Kansas City, MO	January 1, 2009 through December 31, 2028
Archives Dr./Dunn Rd. St. Louis, MO	October 11, 2014 through April 30, 2031
Denver (Broomfield), CO	August 1, 2011 through May 20, 2032
Underground Dr, Kansas City, MO	March 1, 2015 through December 2, 2032
Underground Dr, Kansas City, MO -Archival	January 16, 2015 through December 2, 2032
Townsend Rd, Philadelphia, PA	December 1, 2012 through November 30, 2032
Lee's Summit	August 15, 2017 through August 14, 2037
Dayton 2/3, Moraine, OH	January 1, 2020 through December 31, 2029

Other non-cancelable operating leases with public corporations are detailed below:

Facility	Lease Period
Perris, CA	December 1, 2004 through November 30, 2024
Ellenwood, GA	October 1, 2004 through August 31, 2024
Ft. Worth, TX	October 1, 2006 through October 31, 2026
Annex I and II, Valmeyer, IL	October 1, 2008 through September 30, 2028

All GSA and public corporation leases include escalation clauses for operating costs tied to inflationary increases and for real estate taxes tied to tax increases. The minimum

future lease payments detailed below reflect estimated escalations for such increases. These amounts will be adjusted to the actual costs incurred by the lessor.

Also, NARA has a non-cancelable operating lease with Potomac Electric Power Company for a parcel of land used for a parking lot adjacent to the National Archives building in College Park, MD. The lease is for 20 years, from May 2003 through April 2023, and contains a set schedule of payments due.

Note 12 - Commitments and Contingencies

NARA has incurred various claims in the normal course of business. As of September 30, 2021, and in the opinion of the General Counsel, NARA has two outstanding claims that have a reasonable possibility of an unfavorable outcome. The estimated range of loss for claims that are reasonably possible is between \$5,000 and \$600,000.

Management believes the possible loss for all other claims is remote or immaterial with respect to the Library's financial statements. Under law, any claims finally adjudicated or settled at the administrative level would be paid from the Library's funds and any claims litigated in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

Note 13 - Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities or purposes and accounted for separately from the Government's general revenues. NARA has two funds that are considered funds from dedicated collections: the National Archives Trust Fund and the National Archives Gift Fund, administered by the National Archives Trust Fund Board.

Congress established the National Archives Trust Fund Board to receive and administer gifts and bequests and to receive monies from the sale of reproductions of historical documents and publications for activities approved by the Board and in the interest of NARA and the Presidential Libraries.

The members of the Board are the Archivist of the United States, who serves as chairman, the Secretary of the Treasury, and the chairman of the National Endowment for the Humanities. Membership on the board is not an office within the meaning of the statutes of the United States. The membership, functions, powers, and duties of the National Archives Trust Fund Board are prescribed in the National Archives Trust Fund Board Act of July 9, 1941, as amended (44 U.S.C. §§ 2301-2308). The Board has established by laws governing the conduct of the Board and its operations, pursuant to the authority vested in the Board by 44 U.S.C. § 2303(3) to adopt bylaws, rules, and regulations necessary for the administration of its function under this chapter.

NATF finances and administers the reproduction or publication of records and other historical materials. NAGF accepts, receives, holds and administers, in accordance with the terms of the donor, gifts, or bequests of money, securities, or other personal property for the benefit of NARA activities. The major areas of activity for these funds are Presidential Libraries, Research Services, and the National Historical Publications and Records Commission.

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Financial information for Trust Fund and Gift Fund as of September 30, 2021 consists of:

Fund Balance with Treasury	\$ 524	\$ 100	\$ 624
Investments, net	<u>3,548</u>	<u>6,129</u>	<u>9,677</u>
Total intragovernmental assets	<u>4,072</u>	<u>6,229</u>	<u>10,301</u>
Cash and other monetary assets	36	-	36
Accounts receivable, net	16	-	16
Inventory and related property, net	897	-	897
Investments	<u>81,832</u>	<u>27,261</u>	<u>109,093</u>
Total with the Public	<u>82,781</u>	<u>27,261</u>	<u>110,042</u>
Total Assets	<u>\$ 86,853</u>	<u>\$ 33,490</u>	<u>\$ 120,343</u>
Intragovernmental			
Accounts payable	\$ 4	\$ -	\$ 4
Other liabilities	<u>135</u>	<u>-</u>	<u>135</u>
Total intragovernmental liabilities	<u>139</u>	<u>-</u>	<u>139</u>
With the Public:			
Accounts payable	293	37	330
Federal employee benefits payable	323	-	323
Other liabilities	<u>532</u>	<u>-</u>	<u>532</u>
Total liabilities	<u>1,287</u>	<u>37</u>	<u>1,324</u>
Unexpended appropriations			
Cumulative results of operations	<u>85,566</u>	<u>33,453</u>	<u>119,019</u>
Total liabilities and net position	<u>\$ 86,853</u>	<u>\$ 33,490</u>	<u>\$ 120,343</u>
Statement of Net Cost			
Gross program costs	\$ 11,073	\$ 278	\$ 11,351
Less: Earned revenues	<u>20,932</u>	<u>-</u>	<u>20,932</u>
Net cost of operations	<u>\$ (9,859)</u>	<u>\$ 278</u>	<u>\$ (9,581)</u>
Statement of Changes in Net Position			
Cumulative Results of Operations:			
Beginning balance	<u>\$ 75,380</u>	<u>\$ 32,074</u>	<u>\$ 107,454</u>
Non-federal non-exchange revenue:			
Federal non-exchange revenue	1	524	525
Federal non-exchange revenue	-	2	2
Transfers-in/out without reimbursement	(7)	(483)	(490)
Donations and forfeitures of cash and cash equivalents	-	1,496	1,496
Imputed Financing	333	-	333
Other	-	118	118
Net Cost of Operations	<u>9,859</u>	<u>(278)</u>	<u>9,581</u>
Cumulative Results of Operations	<u>85,566</u>	<u>33,453</u>	<u>119,019</u>
Net Position end of period	<u>\$ 85,566</u>	<u>\$ 33,453</u>	<u>\$ 119,019</u>

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Financial information for Trust Fund and Gift Fund as of September 30, 2020 consists of:

Balance Sheet

Intragovernmental			
Fund Balance with Treasury	\$ 504	\$ 100	\$ 604
Investments, net	6,423	4,921	11,344
Total intragovernmental assets	<u>6,927</u>	<u>5,021</u>	<u>11,948</u>
Cash and other monetary assets	36	-	36
Accounts receivable, net	61	-	61
Inventory and related property, net	733	-	733
Investments	69,492	27,109	96,601
Total with the Public	<u>70,322</u>	<u>27,109</u>	<u>97,431</u>
Total assets	<u>\$ 77,249</u>	<u>\$ 32,130</u>	<u>\$ 109,379</u>
Intragovernmental			
Accounts payable	\$ 9	\$ -	\$ 9
Other liabilities	513	-	513
Total intragovernmental liabilities	522	-	522
With the Public:			
Accounts payable	627	58	685
Federal employee benefits payable	548	-	548
Other liabilities	170	-	170
Total liabilities	1,867	58	1,925
Unexpended appropriations			
Cumulative results of operations	<u>75,382</u>	<u>32,072</u>	<u>107,454</u>
Total liabilities and net position	<u>\$ 77,249</u>	<u>\$ 32,130</u>	<u>\$ 109,379</u>
Statement of Net Cost			
Gross program costs	\$ 29,438	\$ 1,356	\$ 30,794
Less: Earned revenues	<u>(33,655)</u>	<u>-</u>	<u>(33,655)</u>
Net cost of operations	<u>\$ (4,217)</u>	<u>\$ 1,356</u>	<u>\$ (2,861)</u>
Statement of Changes in Net Position			
Cumulative Results of Operations:			
Beginning balance	<u>\$ 70,850</u>	<u>\$ 31,203</u>	<u>\$ 102,053</u>
Non-federal non-exchange revenue:	-	655	655
Federal non-exchange revenue	-	43	43
Transfers-in/out without reimbursement	(7)	(636)	(643)
Donations and forfeitures of cash and cash equivalents	-	1,013	1,013
Imputed Financing	320	-	320
Other	-	1,152	1,152
Net Cost of Operations	<u>(4,217)</u>	<u>1,356</u>	<u>(2,861)</u>
Cumulative Results of Operations	<u>75,380</u>	<u>32,074</u>	<u>107,454</u>
Net Position end of period	<u>\$ 75,380</u>	<u>\$ 32,074</u>	<u>\$ 107,454</u>

Note 14 - Stewardship PP&E Acquired Through Transfer, Donation or Devise

NARA may gain ownership of heritage assets as permanent records accessioned from other federal agencies and the Executive Office of the President, or through gifts and bequests of money, security, or other property. The National Archives Gift Fund

receives and accepts, holds, and administers – in accordance with the terms of the donor -- gifts or bequests for the benefit of National Archives activities or Presidential Libraries. Additional information about heritage assets is presented in Note 7 and detailed by the type and quantity of heritage asset collections.

Note 15- Explanation of Differences between the SBR and the Budget of the US Government

Statement of Federal Financial Accounting Standards No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, calls for explanations of material differences between budgetary resources available, status of those resources and outlays – as presented in the Statement of Budgetary Resources (SBR) – to the related actual balances published in the *Budget of the United States Government* (President’s Budget). However, the President’s Budget that will include FY 2021 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in February 2022. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements.

The table below shows NARA’s prior year actual SBR balances and the related President’s Budget for each major budget account in which a difference exists. The differences are primarily due to differences in reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President’s Budget. The SBR includes both unexpired and expired appropriations, while the President’s Budget discloses only unexpired budgetary resources that are available for new obligations.

	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 679	\$ 577	\$ (3)	\$ 420
Difference-Expired appropriations	(17)	(2)	-	-
Difference-Rounding	1	1	(1)	-
Budget of the U.S. Government	<u>\$ 663</u>	<u>\$ 576</u>	<u>\$ (4)</u>	<u>\$ 420</u>

Note 16 – Undelivered Orders at the End of the Period

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(in thousands)	2021		2020	
	Fed	NonFed	Fed	NonFed
Paid Undelivered Orders	\$ -	\$ -	\$ 85	\$ -
Unpaid Undelivered Orders	<u>2,698</u>	<u>62,864</u>	<u>2,928</u>	<u>54,665</u>
Total Undelivered Orders	<u>\$ 2,698</u>	<u>\$ 62,864</u>	<u>\$ 3,013</u>	<u>\$ 54,665</u>

Note 17 - Reconciliation of Net Cost to Outlays

The Reconciliation of Net Cost to Outlays explains the relationship between NARA's net outlays on a budgetary basis and the net cost of operations during the reporting period.

The reconciliation starts with the net cost of operations as reported on the Statement of Net Cost, followed by adjustments by components of net cost that are not part of net outlays. Common components include depreciation and gains and losses on disposition of assets and changes in assets and liabilities (e.g., accounts receivable, accounts payable, and salaries and benefits) not affecting budget outlays.

Components of budget outlays that are not part of net operating cost also adjust the net cost of operations include acquisition of capital assets, inventory and other assets.

Other reconciling differences, when applicable, include timing differences (e.g., prior period adjustments due to correction of errors).

Reconciliation of Net Cost to Net Outlays for the year ended September 30, 2021:

	Intra- governmental	With the Public	Total
Net Cost of Operations	\$ 7,193	\$ 421,578	\$ 428,771
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
General property, plant, and equipment depreciation	-	(32,270)	(32,270)
Gains/Loses on all other investments	-	(52)	(52)
(Increase)/decrease in assets:			
Accounts receivable	(5,668)	(32)	(5,700)
Investments	-	12,038	12,038
Other	(86)	(105)	(191)
(Increase)/decrease in liabilities:			
Accounts payable	(224)	5,213	4,989
Federal employee benefits payable	-	(821)	(821)
Environmental and disposal liabilities	-	(673)	(673)
Other liabilities	(60)	(2,546)	(2,606)
Other financing sources:			
Other imputed finance	(21,900)	-	(21,900)
Total Components of Net Operating Cost Not Part of the Budget Outlays	<u>(27,938)</u>	<u>(19,248)</u>	<u>(47,186)</u>
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	(700)	6,391	5,691
Acquisition of inventory	-	164	164
Acquisition of other assets	-	1,286	1,286
Transfers out (in) without reimbursement	(15)	-	(15)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	<u>(715)</u>	<u>7,841</u>	<u>7,126</u>
Miscellaneous			
Distributed offsetting receipts (4200)	(2,966)		(2,966)
Custodial/Non-exchange Revenue	(5)	2	(3)
Appropriated Receipts for Trust/Special Funds	260	2,669	2,929
	<u>(2,711)</u>	<u>2,671</u>	<u>(40)</u>
Net Outlays calculated	<u>\$ (24,171)</u>	<u>\$ 412,842</u>	<u>\$ 388,671</u>
Outlays, Net (SBR 4210)			389,023

Reconciliation of Net Cost Operations to Net Outlays for the year ended September 30, 2020:

	Intra- governmental	With the Public	Total
Net Cost of Operations	<u>\$ 24,476</u>	<u>\$ 447,263</u>	<u>\$ 471,739</u>
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
General property, plant, and equipment depreciatio	-	(32,347)	(32,347)
Other	-	(248)	(248)
(Increase)/decrease in assets:			
Accounts receivable	(7,748)	(311)	(8,059)
Other assets	(1,826)	(54)	(1,880)
Investments	-	(1,624)	(1,624)
(Increase)/decrease in liabilities:			
Accounts payable	(272)	(5,988)	(6,260)
Federal employee benefits payable	(541)	(3,991)	(4,532)
Environmental and disposal liabilities	-	(25)	(25)
Other liabilities	53	(3,457)	(3,404)
Other financing sources:			
Imputed federal employee retirement benefit costs	(19,986)	-	(19,986)
Total Components of Net Operating Cost Not Part of the Budget Outlays	<u>(30,320)</u>	<u>(48,045)</u>	<u>(78,365)</u>
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	1,939	15,230	17,169
Acquisition of inventory	-	433	433
Acquisition of other assets	-	8,496	8,496
Other	25	(16)	9
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	1,964	24,143	26,107
Net Outlays (Calculated Total)	<u>\$ (3,880)</u>	<u>\$ 423,361</u>	<u>\$ 419,481</u>
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR 4190)			419,481
Distributed offsetting receipts (SBR 4200)			(3,228)
Outlays, Net (SBR 4210)			416,253

Note 18 – Public-Private Partnership

NARA owns and maintains real property assets, including nine Presidential Libraries. Joint Operating Agreements (JOA's) between NARA and both private foundations and universities own six Presidential Libraries. The primary purpose of the agreements is to establish, maintain, operate, and protect the Presidential Libraries and Museums as the Presidential archival depositories relating to the Presidency of Lyndon B. Johnson, Richard M. Nixon, Ronald Reagan, George H.W. Bush, William J. Clinton, and George W. Bush in accordance with all applicable laws, regulations, rules, standards, and policies, including without limitation chapters 21, 22, and 23 of Title 44, U.S.C. The agreements provide that the parties may reimburse one another for covered outlays consistent with the operation and maintenance of the Presidential Library.

The agreements also outline the use of buildings, allocation of space, and the scope of responsibilities, such as repairs, maintenance, and utilities. In some cases, per 44 U.S.C. § 2112(g)(2), the Archivist has established in the National Archives Trust Fund ("Trust Fund") an endowment for the maintenance of the facility and equipment comprising the Library and Museum. NARA established endowments for the George H.W. Bush (\$4,477,233), William J. Clinton (\$7,200,000), and George W. Bush (\$9,763,162) Presidential Libraries.

Even though NARA has use of the buildings through public-private partnerships, NARA does not own them. All future capital expenditures for repair, maintenance, or replacement of the building(s) and other improvements are the sole responsibility of NARA. The risk of loss is in the tens of millions of dollars.

The current year NARA financial statements do not recognize any amounts as a result of the agreement between the parties. There were no significant instances of non-compliance with provisions governing the partnership. All agreements outlined below were in effect at the close of the fiscal year.

National Archives and Records Administration
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Office	Agreement Date	End Date	Agreement
Johnson Library	8/10/1965	In perpetuity	Joint Operating Agreement (JOA) between U. of Texas and NARA, including amendments
Richard Nixon Library	7/10/2007	In perpetuity	Joint Use, Operating, and Transfer Agreement between the Richard Nixon Library and Birthplace Foundation and the National Archives and Records Administration regarding the Richard Nixon Presidential Library and Museum
Reagan Library	6/05/1991	In perpetuity	Joint Use, Operating and Management Agreement, The Ronald Reagan Presidential Libraries and the Center for Public Affairs
Bush Library	11/15/1997	In perpetuity	Joint Use Agreement between NARA, the Bush Presidential Library Foundation and the Board of Regents, Texas A&M University System
Clinton Library	11/18/2004	In perpetuity	Joint Use, Operating, and Transfer Agreement between the WJC Foundation and NARA regarding the WJC Library
G. W. Bush Library	4/24/2013	In perpetuity	Joint Use, Operating, and Transfer Agreement between the GWB Foundation and NARA regarding the GWB Library

Required Supplementary Information

Deferred Maintenance and Repairs (DM&R)

NARA owns and maintains real property assets including the National Archives buildings at Washington, DC, College Park, MD, and Atlanta, GA, as well as the Presidential Libraries. All other NARA facilities are leased from GSA or the public. All NARA facilities support the agency’s mission to safeguard and preserve NARA’s heritage assets, the permanently valuable records in its custody.

NARA uses the condition assessment method to determine the condition of its fixed assets, including stewardship PP&E facilities. NARA contracts with professional architectural firms to conduct condition assessment surveys, called Building Condition Reports (BCR). BCRs assess the condition of multiple building systems within each facility, including the structure, roof, exterior and interior finishes, HVAC (heating, ventilation, and air conditioning), electrical, plumbing, conveyance, and program support equipment. NARA conducts BCRs for NARA-owned buildings on a regular schedule: each building is assessed approximately every five years. Facility managers regularly assess critical needs between BCRs.

Deferred maintenance and repairs required to bring fixed assets to an acceptable condition, which were not scheduled or performed when needed, are included in the deferred maintenance estimate below.

<u>Category</u>	FY 2021 Beginning Balance	FY 2021 Ending Balance
Heritage assets	\$66 million	\$66 million
General PP&E (Multi-use)	\$10 million	\$10 million

NARA maintains and preserves all fixed property, plant, and equipment (PP&E) regardless of recorded values. Estimates of deferred maintenance and repairs cover all PP&E, whether capitalized, fully depreciated, or non-capitalized. At the end of FY 2021, current BCR reports identified necessary maintenance projects for seventeen locations, including thirteen of the fourteen Presidential Libraries. Increases to deferred maintenance estimates are the result from the progressing age of real property assets as well as inflation factors.

Due to the scope, nature and variety of the assets and the nature of the deferred maintenance, exact estimates are difficult to determine. Current estimates include correcting deficiencies that relate to the safety or the protection of valuable materials, modifications to provide safety and public accessibility to the facility, and electrical upgrades to prevent loss of critical data. The estimates generally exclude vehicles and

other categories of operating equipment. Because the space where the records are preserved is critical to preventing deterioration of the records, NARA has implemented records storage standards to preserve the condition holdings in NARA's custody. The deferred costs to address deficiencies in compliance with storage standards are also included in the estimates.

Schedule of Budgetary Resources by Major Budget Accounts

For the year ended September 30, 2021

	Archives and Records Management Activities	Gift Fund	Trust Fund	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
Budgetary Resources							
Unobligated balance brought forward, Oct 1	\$ 49,006	\$ 4,952	\$ 7,574	\$ 1,633	\$ 2,612	\$ 42,668	\$ 108,445
Appropriations (discretionary and mandatory)	381,823	2,929		6,500	9,500	50,000	450,752
Spending authority from offsetting collections	834		4,057			155,611	160,502
Total Budgetary Resources	\$ 431,663	\$ 7,881	\$ 11,631	\$ 8,133	\$ 12,112	\$ 248,279	\$ 719,699
STATUS OF BUDGETARY RESOURCES:							
Obligations Incurred	\$ 374,626	\$ 2,038	\$ 9,880	\$ 6,779	\$ 7,181	\$ 194,013	\$ 594,517
Unobligated balance, end of year:							
Apportioned	44,274	5,841		1,181	4,897	52,203	108,396
Exempt from apportionment	-	-	1,751	-	-	-	1,751
Unapportioned	2	2	-	173	34	2,063	2,274
Unexpired unobligated balance, end of year	\$ 44,276	\$ 5,843	\$ 1,751	\$ 1,354	\$ 4,931	\$ 54,266	\$ 112,421
Expired unobligated balance, end of year	12,761						12,761
Unobligated balance, end of year (total)	57,037	5,843	1,751	1,354	4,931	54,266	125,182
Total budgetary resources	\$ 431,663	\$ 7,881	\$ 11,631	\$ 8,133	\$ 12,112	\$ 248,279	\$ 719,699
Outlays, net (discretionary and mandatory)	\$ 371,162	\$ 1,722	\$ 2,854	\$ 6,095	\$ 6,270	\$ 920	\$ 389,023
Distributed offsetting receipts	(40)	(2,926)					(2,966)
Agency Outlays, net (discretionary and mandatory)	\$ 371,122	\$ (1,204)	\$ 2,854	\$ 6,095	\$ 6,270	\$ 920	\$ 386,057

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Schedule of Budgetary Resources by Major Budget Accounts

For the year ended September 30, 2020

	Archives and Records Management Activities	Gift Fund	Trust Fund	NHPRC Grants	Archives Facilities and Presidential Libraries Repairs and Restorations	Records Center and Storage Services	Total
Budgetary Resources							
Unobligated balance brought forward, Oct 1	\$ 25,997	\$ 4,772	\$ 10,029	\$ 575	\$ 1,236	\$ 65,681	\$ 108,290
Appropriations (discretionary and mandatory)	371,923	3,271	-	6,500	7,499	-	389,193
Spending authority from offsetting collections	1,983	-	15,329	-	-	164,588	181,900
Total Budgetary Resources	\$ 399,903	\$ 8,043	\$ 25,358	\$ 7,075	\$ 8,735	\$ 230,269	\$ 679,383
STATUS OF BUDGETARY RESOURCES:							
Obligations Incurred	\$ 349,803	\$ 3,103	\$ 21,716	\$ 5,604	\$ 6,158	\$ 190,535	\$ 576,919
Unobligated balance, end of year:							
Apportioned	35,581	4,937	-	1,328	2,559	37,105	81,510
Exempt from apportionment	-	-	3,642	-	-	-	3,642
Unapportioned	14	3	-	143	18	2,629	2,807
Unexpired unobligated balance, end of year	\$ 35,595	\$ 4,940	\$ 3,642	\$ 1,471	\$ 2,577	\$ 39,734	\$ 87,959
Expired unobligated balance, end of year	14,505	-	-	-	-	-	14,505
Unobligated balance, end of year (total)	\$ 50,100	\$ 4,940	\$ 3,642	\$ 1,471	\$ 2,577	\$ 39,734	\$ 102,464
Total budgetary resources	\$ 399,903	\$ 8,043	\$ 25,358	\$ 7,075	\$ 8,735	\$ 230,269	\$ 679,383
Outlays, net (discretionary and mandatory)	\$ 364,366	\$ 4,027	\$ 401	\$ 5,743	\$ 4,936	\$ 40,008	\$ 419,481
Distributed offsetting receipts		(3,228)	-	-	-	-	(3,228)
Agency Outlays, net (discretionary and mandatory)	\$ 364,366	\$ 799	\$ 401	\$ 5,743	\$ 4,936	\$ 40,008	\$ 416,253


Independent Auditors' Reports



Inspector General

November 15, 2021

TO: David S. Ferriero
Archivist of the United States

FROM: Dr. Brett M. Baker 
Inspector General

SUBJECT: *Audit of National Archives and Records Administration's Fiscal Year 2021
Financial Statements*
OIG Report No. 22-AUD-02

The Office of Inspector General (OIG) contracted with CliftonLarsonAllen, LLP (CLA) to conduct an independent audit the financial statements of the National Archives and Records Administration (NARA) as of and for the fiscal years ended September 30, 2021 and 2020. The report should be read in conjunction with NARA's financial statements and notes to fully understand the context of the information contained therein.

CLA is responsible for the attached auditor's report dated November 8, 2021 and the conclusions expressed in the report. The findings and conclusions presented in the report are the responsibility of CLA. The OIG's responsibility is to provide adequate oversight of the contractor's work in accordance with Generally Accepted Government Auditing Standards.

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. 21-04, *Audit Requirements for Federal Financial Statements*.

Results of the Independent Audit

CLA issued an unmodified opinion on NARA's fiscal years 2021 and 2020 financial statements.

CLA found:

- NARA's financial statements as of and for the fiscal years September 30, 2021 and 2020 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- No material weaknesses, but one significant deficiency for FY 2021 in internal control over financial reporting based on limited procedures performed; and
- No reportable instances of noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts and grant agreements tested and no other matters.

The report contains 21 recommendations intended to improve NARA's internal control over financial reporting related to the significant deficiency in information technology controls.

National Archives and Records Administration
FY 2021 Agency Financial Report

Management concurred with all of the recommendations. Based on your November 8, 2021 response to the draft report, we consider all the recommendations open.

Please provide planned corrective actions and expected dates to complete the actions for each of the recommendations within 30 days of the date of this letter. 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 for Audits, with any questions.

Attachment

cc: Debra Wall, Deputy Archivist of the United States
Micah Cheatham, Chief of Management and Administration
William Bosanko, Chief Operating Officer
Colleen Murphy, Chief Financial Officer and Senior Accountable Official
Swarnali Haldar, Chief Information Officer
Meg Ryan Guthorn, Acting Deputy Chief Operating Officer
Kimm Richards, Accountability
Jewel Butler, Assistant Inspector General for Audits
Kimberly Boykin, Audit Director
Carol Seubert, Senior Financial Auditor
United States House Committee on Oversight and Government Reform
Senate Homeland Security and Governmental Affairs Committee



CliftonLarsonAllen LLP
CLAconnect.com

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) 2021 and 2020 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, 2021 and 2020, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- No material weakness, but a significant deficiency for FY 2021 internal control over financial reporting based on the limited procedures we performed; and
- No reportable noncompliance for FY 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)¹, and other information (OI)² 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 other matters; and (4) NARA's response to our findings and recommendations.

Report on the Financial Statements

We have audited the accompanying financial statements of NARA, which comprise the balance sheets as of September 30, 2021, and 2020; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits 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. 21-04, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 21-04).

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

¹ 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.

² 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, the National Archives and Records Administration's financial statements present fairly, in all material respects, NARA's financial position as of September 30, 2021, and 2020, and its net cost of operations, changes in net position, and budgetary resources for the FYs then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

1. 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.

2. 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 audits were 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 audit 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 (1) 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; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)); and (3) providing an assurance statement on the overall effectiveness of internal control over financial reporting included in management's discussion and analysis (MD&A).

Auditors' Responsibility

In planning and performing our audit of NARA's financial statements as of and for the year ended September 30, 2021, 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 or significant deficiencies or to express an opinion on the effectiveness of NARA's internal control over financial reporting and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, 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 certain deficiencies in internal control over financial reporting that in aggregate we consider to be a significant deficiency, described below and in Exhibit A.

Longstanding Control Deficiency in Information Technology (IT) 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control 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.

During our 2021 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.

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.

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

In connection with our audit 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 no instance of noncompliance or other matters for FY 2021 that would be reportable under *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.

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.

Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of NARA's corrective actions with respect to the recommendations included in the prior year's Independent Auditors' Report, dated November 10, 2020. The status of prior year recommendations is presented in Exhibit C.

NARA's Response to Audit Findings and Recommendations

NARA's response to the findings and recommendations identified in our report is described in Exhibit B. 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.

CliftonLarsonAllen LLP



Arlington, Virginia
November 8, 2021

EXHIBIT A
Significant Deficiency
FY 2021

**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.

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 control deficiencies impact the effectiveness of NARA's IT 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, user account reviews, and system access request and removal procedures remained unresolved. In addition, during FY 2021, multi factor user authentication was not fully implemented, or requirements not defined at the system level. Also, an identity and access management policy or strategy was not developed. Access controls should be established to ensure user accounts are effectively managed.

Security Management – We found prior year weaknesses related to plans of actions and milestones (POA&Ms) management and security plans remained unresolved. In addition, during FY 2021, Security Assessment and Authorization (SA&A) documentation was not reviewed when there was a change in Authorizing Official (AO), controls were not tested, or security documentation was incomplete. 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 prior year unresolved weaknesses related to the detection, remediation, and monitoring of high and critical risk vulnerabilities for software patches and updates, and system configuration weaknesses which existed on NARA systems, and were publicly known since 2020 or earlier, still exist. In addition, configuration management plans and policies were not consistently maintained. 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 an ineffective patch and vulnerability management program, not prioritizing the development of organization wide

configuration management policies and procedures, as well as inadequate oversight by NARA management.

Contingency Planning – We noted that although testing of contingency plans was conducted, the extent and nature of these tests were not commensurate with the availability risk level of the information system. This IT control deficiency resulted from inconsistent NARA requirements for contingency plan testing, as well as inadequate oversight by NARA management.

Contingency planning controls 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.

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].
 - CA-5 Plans of Action and Milestones
The organization develops a POA&Ms 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 POA&Ms [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.
 - CA-6 Security Authorization
The organization updates the security authorization [Assignment: organization defined frequency].
 - PM-10 Security Authorization Process
The organization manages the security state of organizational information systems and the environments in which those systems operate through security authorization processes.
 - 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.
- CM-1 Configuration Management Policies and Procedures
The organization develops, documents, and disseminates to [Assignment: organization-defined personnel or roles]; a configuration management policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and procedures to facilitate the implementation of the configuration management policy and associated configuration management controls.
- CP-4 Contingency Plan Testing
The organization tests the contingency plan for the information system [Assignment: organization-defined frequency] using [Assignment: organization-defined tests] to determine the effectiveness of the plan and the organizational readiness to execute the plan.
- 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. (repeat 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. (repeat recommendation)
5. Ensure account reviews are completed in accordance with Access Control IT Methodology requirements. (repeat recommendation)
6. Enforce mandatory Personal Identity Verification (PIV) card authentication for all NARANet users, in accordance with OMB requirements. (new recommendation)
7. Ensure system owners and Information System Security Officers (ISSO) have completed an E-Authentication Threshold Analysis (ETA) for all information systems with a signed E-Authentication Risk Assessment (if required). (new recommendation)
8. Review and reduce the number of NARA users assigned to the PIV debarment group and move to the PIV mandatory group, using a risk-based decision process. (new recommendation)
9. Continue and complete efforts to require PIV authentication for all privileged users, servers, and applications, through NARA's Cyber Arc authentication project and other efforts. (new recommendation)
10. Ensure a comprehensive identity, credential, and access management (ICAM) policy or strategy, which includes the establishment of related standard operating procedures, identification of stakeholders, communicating relevant goals, task assignments, and measure and reporting progress is developed and implemented. (new recommendation)
11. Ensure POA&Ms for the NARANet, RCPBS, 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)
12. For those systems identified in which the Authorizing Official (AO) listed in the Authorization to Operate (ATO) has changed, NARA should follow the NARA Security Methodology for Certification and Accreditation (C&A) and Security Assessment in regard to requirements upon changes in authorizing officials. This is a separate activity from the ongoing authorization process. (new recommendation)
13. Update NARA's Cyber Security Framework Methodology Processes & Procedures, for ongoing authorizations, to include examples of situations where a change in status could prompt the independent security control assessor to recommend re-certification of a system. (new recommendation)
14. 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. (repeat recommendation)

15. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks. (repeat recommendation)
16. 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)
17. Fully complete the migration of applications to vendor supported operating systems. (repeat recommendation)
18. Document, communicate, and implement NARA's configuration management processes applicable to all NARA systems, not just those under Information Services Enterprise Change Advisory Board (ECAB) control within for example, NARA's Configuration Management (CM) program management plan or other NARA methodology. (new recommendation)
19. Finalize and implement system configuration baseline management procedures, which encompass at a minimum, the request, documentation, and approval of deviations from baseline settings for all NARA systems. (new recommendation)
20. 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. (repeat recommendation)
21. In coordination with system owners and ISSOs, identify and remediate inconsistencies in contingency plan testing requirements between the NARA Cyber Security Framework Methodology: Processes and Procedures and the NARA IT Security Methodology for Contingency Planning, to ensure requirements are more clearly defined and consistently communicated. As needed, NARA will then update contingency plan testing to commensurate with the availability risk level assigned. (new recommendation)

EXHIBIT B
NARA's Response to our Findings and Recommendations
FY 2021



Archivist of the
United States

Date: November 8, 2021
To: Dr. Brett M. Baker
Inspector General
From: David S. Ferriero
Archivist of the United States
Subject: Management Response to the FY2021 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, 2021.

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 identified in this report and concurs with the recommendations of the independent auditor. I appreciate the work performed by the auditor in this area and will ensure the auditor's findings and recommendations 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

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EXHIBIT C
Status of Prior Year Recommendations

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

<i>FY 2020 Recommendation</i>	<i>Type</i>	<i>Status</i>
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 2021 Significant Deficiency, 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 2021 Significant Deficiency, recommendation "I.2."
3. Ensure system access requests are completed and retained for the duration of a users' system access.	SD	Open; see 2021 Significant Deficiency, recommendation "I.3."
4. Ensure the completion and retention of exit clearance forms and requests for all separated employees, in accordance with NARA's record retention requirements.	SD	Open; see 2021 Significant Deficiency, recommendation "I.4."
5. Ensure account reviews are completed in accordance with Access Control IT Methodology requirements.	SD	Open; see 2021 Significant Deficiency, recommendation "I.5."
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.	SD	Open; see 2021 Significant Deficiency, recommendation "I.11."
7. Develop oversight mechanisms to ensure system security plans reflect current operational environments, include an accurate status of the implementation of system security	SD	Open; see 2021 Significant Deficiency, recommendation "I.14."

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<i>FY 2020 Recommendation</i>	<i>Type</i>	<i>Fiscal Year 2021 Status</i>
controls, and all applicable security controls are properly evaluated prior to including in the plan.		
8. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks.	SD	Open; see 2021 Significant Deficiency, recommendation "I.15."
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.	SD	Open; see 2021 Significant Deficiency, recommendation "I.16."
10. Fully complete the migration of applications to vendor supported operating systems.	SD	Open; see 2021 Significant Deficiency, recommendation "I.17."
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.	SD	Open; see 2021 Significant Deficiency, recommendation "I.20."
We recommend that NARA management implement the following recommendations:		
12. The Office of Chief Acquisition Officer ensures Contracting Officers understand their responsibility to use appropriate cost allocations for each contract line. (modified repeat recommendation)	Management Letter Comment (MLC)	Open; reclassified from SD in FY 2020 to MLC in FY 2021
13. The Chief Financial Officer updates Interim Guidance 400-8, <i>Quarterly Reconciliation of Open Items for all NARA Funds</i> , 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. (modified repeat recommendation)	MLC	Open; reclassified from SD in FY 2020 to MLC in FY 2021

<i>FY 2020 Recommendation</i>	<i>Type</i>	<i>Fiscal Year 2021 Status</i>
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)	SD	Closed
15. The Chief Financial officer and Chief Acquisition Officer establish procedures for timely escalation of known errors. (modified repeat recommendation)	SD	Closed
16. The NARA Chief Financial Officer reports the Antideficiency Act (ADA) violation in accordance with Title 31, Section 1351 of the U.S. Code and OMB guidance.	Non-Compliance	Open Recommendation not repeated ³
17. The NARA Chief Financial Officer complies with ATDA and OMB A-136, Section 1.5, by submitting its FY 2019 AFR to OMB, Treasurer, 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.	Non-Compliance	Closed

³ Auditors' recommendation for NARA to report the ADA violation on the over-obligation in FY 2019 in the form of a letter from the agency head to the President through the Director of OMB (OMB Circular No. A-11, section 145.7, *How do I report a violation?*) is still open in FY 2021. NARA management stated that a draft letter was submitted to OMB in FY 2020 but still awaiting OMB's approval for NARA to finalize and issue the letter.

OTHER INFORMATION

This section provides additional information regarding NARA's financial and program management. It includes the Inspector General's Top Management Challenges.

The Summary of Financial Statement Audit and Management Assurances lists each material weakness and non-conformance found or resolved.

Lastly, this section reports the agency's compliance with the Payment Integrity Information Act of 2019, and NARA's Fraud Report.

Inspector General's Top Management Challenges

The following summarizes NARA's most significant management and performance challenges based on legislative mandates, our experience, stakeholder input, and observations from our oversight work.

1. Records Request Backlog at the National Personnel Records Center

The NPRC has a backlog of requests from veterans for their military service records. Without their records, veterans may not have the evidence they need to qualify for health care and other benefits they have earned. The COVID-19 pandemic has both caused some of this backlog and prevented the NPRC from fully using all resources to address it.

2. Information Technology (IT) Security

In FY 2021, NARA again labeled IT security a "material weakness." Further, over the past decade annual Federal Information Security Modernization Act (FISMA) audits or assessments have consistently identified IT areas in need of significant improvement.

3. OMB Memorandum M-19-21, Transition to Electronic Records

NARA needs to ensure the proper records are in fact preserved government-wide and sent to NARA in the first place. NARA must work with Federal agencies to ensure proper appraisal, scheduling, and transfer of permanent records in all formats. The major challenge is how best to accomplish this in a rapidly changing technological environment. Further, it is not currently known what amount, or exact formats, of data and electronic records will be coming to NARA. Thus it is not known whether the systems in place will be able to ingest, process, preserve, store, and provide access to this information.

4. Expanding Public Access to Records

Some of NARA's analog holdings (by series) have not been processed, so the public does not have efficient and effective access to them. To meet its mission, NARA must work to ensure it has the processes and resources necessary to establish intellectual control over this backlog of unprocessed records. In addition, the transition of federal record-keeping to a fully-electronic environment will present additional challenges to making records accessible to the public. This work includes standardizing processing procedures across the agency, strengthening internal controls, and monitoring performance.

5. Electronic Records Archives

The vast volumes of electronic records that will need to be preserved is significant, and NARA is challenged to meet data storage requirements for them. NARA's in-house data storage is reaching capacity, impacting the agency's digitization efforts and other IT programs. Without sufficient storage, NARA would have difficulty accepting, storing, and processing electronic records or make them available to the public.

6. Pandemic Response

Like all employers, NARA is challenged to determine the best path forward during this pandemic. NARA is challenged to both keep agency staff safe, and still meet NARA's mission. These are times of near unprecedented change, presenting both opportunities and new challenges. To succeed NARA must seize the opportunities, potentially changing long-held

beliefs and processes, and overcome the challenges. No less than the history of this great republic hangs in the balance.

Summary of Financial Statement Audit and Management Assurances

Summary of the Financial Statement Audit:

Audit Opinion	Unqualified				
Restatement	No				
	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances:

Effectiveness of Internal Control over Financial Reporting (FMFIA S2):

Statement of Assurance	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal control over Operations (FMFIA S2):

Statement of Assurance	Modified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Security	1	0	0	0	0	1
Human Capital	1	0	0	0	0	1
Total Material Weaknesses	2	0	0	0	0	2

Conformance with Financial Management System Requirements (FMFIA S4):

Statement of Assurance	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Payment Integrity Information Act Reporting Details

NARA complies with the Improper Payments Information Act of 2019 (Pub. L. No. 116-117, 31 U.S.C., 3352 and 3357), the Office of Management and Budget (OMB) Memorandum M-21-19, dated March 5, 2021, OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement, and OMB Circular A-136, dated August 10, 2021, section 11.4.5, Payment Integrity Information Act Reporting.

To ensure compliance, NARA performs the following:

- Reviews all programs and activities annually and determines if the statutory threshold for significant improper payments is met;
- Conducts risk assessments every 3 years for all programs and activities;
- Conducts payment recovery audit cost benefit analysis when necessary. NARA has determined that payment recovery audits are not cost effective for the Agency. Per OMB, NARA only needs to conduct an analysis and notify OMB and OIG when there has been a significant change in program activity or improper payments.

In FY 2021, NARA reviewed their program outlays and improper payment amounts for the following programs: Administrative Overhead, Center for Legislative Archives and the Office of Presidential Materials, Research Services, Agency Services, Repairs and Restoration, National Historical Publications and Records Commission (Grants) and Office of Inspector General to determine whether they were susceptible to significant improper payments. NARA did not meet the statutory thresholds for significant improper payments and all of NARA's programs were determined to be low risk.

NARA reported FY 2021 improper payment data to OMB per their annual payment integrity data call which publishes data on the following website: <https://paymentaccuracy.gov/>. NARA's improper payments for FY 2021 totaled \$362,233.

I. Actions Taken to Address Auditor Recovery Recommendations

Given NARA's historically low improper payments and low risk programs, it was determined that payment recapture audits are not cost effective. Therefore, NARA did not receive any auditor recovery recommendations in FY 2021.

Fraud Reduction Report

NARA's fraud reduction efforts are consistent with guidance contained in P.L. 114-186, the Fraud Reduction and Data Analytics Act of 2015 (FRDAA), and OMB A-123 Management's Responsibility for Enterprise Risk Management and Internal Control. NARA established these controls before the promulgation of the FRDAA.

NARA management conducts fraud-related risk assessments with respect to the areas identified in section II.5.6 of the Fraud Reduction and Data Analytics Act. In addition, NARA's OIG performs an independent annual risk assessment of the agency's purchase and travel cards and provides audits of these and other agency activities that are the most likely targets of fraud.

NARA also identifies and manages risks associated with fraud through its internal controls program. Areas of focus include acquisitions, grants, accounting policy and operations, payroll, travel cards, and purchase cards. NARA's internal controls program includes an annual assessment of risks for programs and functions susceptible to fraud.

Specific agency-wide controls include system enforced segregation of duties; training for purchase and travel card holders; automated workflow and approval for purchasing activities; system enforced three-way match on invoice payments; reviews of grants over \$150,000; and multiple reviews for unauthorized purchases, overdue accounts, and accounting irregularities. NARA management assesses these and other fraud-related controls through regular control monitoring and testing.

In addition to NARA in-house internal controls, NARA's financial management shared service provider enforces fraud-related controls that NARA leverages through its close working relationships. This process allows for multiple reviews for high-risk activities and increased checks and balances.



This Agency Financial Report is available at www.archives.gov/about/plans-reports/, as well as Performance and Accountability Reports for previous years, the NARA Strategic Plan, and Annual Performance Plans and Performance Budgets.

Links to other web pages of interest, such as research tools, information on the Presidential Libraries, and public documents published by Office of Federal Register may be found at www.archives.gov.

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