



April 22, 2020

TO: David S. Ferriero
Archivist of the United States

FROM: James Springs *James Springs*
Inspector General

SUBJECT: *Audit of National Archives and Records Administration's Financial Statements
for Fiscal Year 2019*
Audit Report No. 20-AUD-08

We contracted with the independent certified public accounting firm of CliftonLarsonAllen, LLP (CLA) to audit the financial statements of the National Archives and Records Administration (NARA) as of and for the fiscal years ended September 30, 2019 and 2018. The report should be read in conjunction with NARA's financial statements and notes to fully understand the context of the information contained therein.

In connection with the contract, we reviewed CLA's report and related documentation and inquired of its representatives. CLA is responsible for the attached auditor's report dated November 11, 2019, except for Note 22, as to which the date is January 8, 2020 and the conclusions expressed in the report. This report was delayed because NARA identified an event that existed as of the financial statements date, but was discovered after audit fieldwork was completed, but prior to the issuance of the audit report and the statutory due date of November 19, 2019. The event resulted in an Antideficiency Act violation by NARA which CLA audited. CLA did not change their opinion on the financial statements, but included a significant deficiency in its report on NARA's internal controls and an instance of non-compliance with laws and regulations related to the Antideficiency Act violation.

The contract required the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. We do not express an opinion on NARA's financial statements or conclusions about the effectiveness of internal control over financial reporting or compliance with laws and regulations.

Results of the Independent Audit

CLA issued an unmodified opinion on NARA's fiscal years 2019 and 2018 financial statements. CLA found:

- NARA's financial statements as of and for the fiscal years September 30, 2019 and 2018 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- Based on limited procedures performed, there were no material weaknesses but two significant deficiencies in internal control over financial reporting; and
- There was one instance of reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts and grant agreements tested.

The report contains 11 recommendations, which are intended to strengthen NARA's information technology and financial management controls. Your office concurred with all of the recommendations. Based on your March 3, 2020 response to the formal draft report, we consider all the recommendations open. Please submit an action plan for each recommendation by May 8, 2020. Once your office has fully implemented the recommendations, please submit evidence of completion of agreed upon corrective actions so that recommendations may then be closed.

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

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

Attachment

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



INDEPENDENT AUDITORS' REPORT

To: Inspector General
National Archives and Records Administration

Archivist of the United States
National Archives and Records Administration

In our audits of the fiscal years 2019 and 2018 financial statements of the National Archives and Records Administration (NARA), we found:

- NARA's financial statements as of and for the fiscal years ended September 30, 2019 and 2018 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- Based on limited procedures we performed, there were no material weaknesses but two significant deficiencies in internal control over financial reporting; and
- There was one instance of reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more details (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 (4) NARA management's comments.

Report on the financial statements

In accordance with our contract with NARA's Office of Inspector General, we have audited NARA's financial statements. NARA's financial statements comprise the balance sheets as of September 30, 2019 and 2018; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB 19-03). 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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. U.S. generally accepted 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, NARA's financial statements present fairly, in all material respects, NARA's financial position as of September 30, 2019, and 2018, and its net cost, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 22 to the financial statements, NARA identified an Antideficiency Act violation during FY 2019 in which NARA had incurred obligations of \$789,730 in excess of available appropriations. This matter was discovered subsequent to the financial statements date and audit report date, but prior to the audit report release date. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Matters

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 U.S. generally accepted 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.

Other Information

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

Report on Internal Control over Financial Reporting

In connection with our audits of NARA's financial statements, we considered NARA's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to NARA's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB 19-03.

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, and (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting.

Auditor's Responsibility

In planning and performing our audit of NARA's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted 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

INDEPENDENT AUDITORS' REPORT, CONTINUED

of NARA's internal control over financial reporting. Accordingly, we do not express an opinion on NARA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies³ or material weaknesses.⁴ We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Results of Our Consideration of Internal Control over Financial Reporting

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

We identified, however, two significant deficiencies in internal control described in the accompanying Exhibit A and summarized below.

Longstanding Control Deficiency in Information Technology Controls

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

³A 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.

⁴ A material weakness is a deficiency, or a combination of deficiencies, 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Inadequate Internal Control over Timely Resolution of Error

According to Treasury's Administrative Resource Center (ARC) (the service provider), the interface between Procurement Information System for Management (PRISM) and Oracle is a known system issue. Therefore, ARC implemented supplemental controls to ensure further reviews are done over transactions where the interface fails to rectify any resulting errors. ARC initially detected an interface issue with one contract on August 16, 2019, but a failure in ARC's supplemental review control caused the error to be excluded from further research. NARA was ultimately notified of and attempted to rectify the error; however, these actions occurred several months after the error was first identified. While this variance was detected during the DATA Act reconciliation review, NARA did not pursue the issue at that time to determine the root cause and whether the disposition was appropriate. NARA's current monitoring controls over ARC processes was inadequate to provide timely feedback to ensure that errors are adequately and appropriately resolved by NARA and ARC.

Intended Purpose of Report on Internal Control over Financial Reporting

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

Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of NARA's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB 19-03.

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. We also caution that projecting our audit results to future periods is subject to risk that the degree of compliance with controls may deteriorate.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance for fiscal year 2019, summarized below and described in Exhibit B, that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to NARA. Accordingly, we do not express such an opinion.

Antideficiency Act Violation

NARA obligated \$789,730 in excess of available appropriations in fiscal year 2019, resulting in a violation of the AntiDeficiency Act.

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

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 U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

NARA Management's Comments

NARA's comments in response to a draft of this report are presented as Exhibit C. NARA concurs with our findings and recommendations and has instituted corrective action plans. We did not audit NARA's response and, accordingly, we express no opinion on it.

Status of Prior Years' Control Deficiencies

We have reviewed the status, shown as Exhibit D, of NARA's corrective actions with respect to the recommendations included in the previous year's Independent Auditors' Report, dated November 8, 2018.

CliftonLarsonAllen LLP



Arlington, Virginia

November 11, 2019, except for Note 22, as to which the date is January 8, 2020

INDEPENDENT AUDITORS' REPORT, CONTINUED

EXHIBIT A Significant Deficiency

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

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

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

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

Access Controls – We found prior year weaknesses related to inactive user accounts remained unresolved. Access controls should be established to ensure user accounts are effectively managed.

Security Management – We found prior year unresolved weaknesses related to plans of actions and milestones (POA&Ms) were either a) not updated timely; (b) missed milestone dates; or (c) contained incomplete data. Additionally, during FY 2019, we found that risks identified within security assessment reports and risk assessment reports were not always created into POA&Ms. Security management controls provide the framework for the continual assessment of risk, development of security procedures, and monitoring the implementation effectiveness of those procedures.

Configuration Management – We found that while there were improvements in this area compared to FY2018, configuration management weaknesses associated with vulnerability and patch management continue to exist. Specifically, we found prior year unresolved weaknesses related to the detection, remediation, and monitoring of high and critical risks for software patches and updates, publicly known since 2018 or earlier. Additionally, we found known high and critical risk system configuration weaknesses existed on NARA systems to include weak and default user authentication mechanisms. Further, change management procedures were not updated in accordance with NARA policy, and NARA had not developed an Enterprise-wide Configuration Management Plan.⁵ Absent an effectively implemented and enforced configuration management

⁵ As reported within the "FISMA Fiscal Year 2019 OIG Narrative", issued on 10/31/2019, section on "Protect – Configuration Management Identity and Access Management, Data Protection and Privacy, and Security Training."

INDEPENDENT AUDITORS' REPORT, CONTINUED

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

The IT control deficiencies resulted from inadequate resources, as well as inadequate communication and oversight by NARA management.

Our testing was based on the following key criteria:

- National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*:
 - SI-2 Flaw Remediation
The organization identifies information systems affected by announced software flaws including potential vulnerabilities resulting from those flaws, and reports this information to designated organizational personnel with information security responsibilities. Security-relevant software updates include, for example, patches, service packs, hot fixes, and anti-virus signatures.
 - SA-22 Unsupported System Components
The organization replaces information system components when support for the components is no longer available from the developer, vendor, or manufacturer.
 - CA-5 Plans of Action and Milestones
The organization develops a plan of action and milestones for the information system to document the organization's planned remedial actions to correct weaknesses or deficiencies noted during the assessment of the security controls and to reduce or eliminate known vulnerabilities in the system; and updates existing plan of action and milestones based on the findings from security controls assessments, security impact analyses, and continuous monitoring activities.
- 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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.
3. Ensure plans of actions and milestones for the NARANet and OFAS systems are created, updated and remediated, for each system, in accordance with NARA policies, guidance and directives (repeat recommendation).
4. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks.
5. Implement remediation efforts to address security deficiencies on affected systems identified, to include enhancing its patch and vulnerability management program as appropriate, or document acceptance of the associated risks (repeat recommendation).
6. Fully complete the migration of applications to vendor supported operating systems (repeat recommendation).
7. Perform a review and update (if needed) of the NARA Information Technology and telecommunications Support Services (NITTSS) Change Management Plan.

2. Inadequate Internal Control over Timely Resolution of Error (New Finding)

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

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

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

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

During NARA's 4th quarter DATA Act review, management noted a contract in which a variance of \$1,586,390 was reported between the Federal Procurement Data System (a third party system) data and Oracle. Reviews conducted by ARC revealed that the difference stemmed from a contract signed in July 2019 in which a subsequent modification was enacted in August 2019. This modification was exercised in order to shift funding for the three contract line items between NARA's annual operating expense appropriation and its Records Centers Revolving Fund. However, due to a failure in the PRISM and Oracle interface, funding for two of the three lines were instead omitted from the system, causing the obligations for the contract to be understated by the variance noted above.

In addition, as the error was not detected until after the 2019 fiscal year-end, NARA continued to obligate funds under the assumption that funds are available in FY 2019. As a result, NARA ended FY 2019 with \$789,730 in obligations in excess of available appropriations, resulting in a violation of the Antideficiency Act (see Exhibit B).

NARA was ultimately notified of and attempted to rectify the error; however, these actions occurred several months after the error was first identified. While this variance was detected during the DATA Act reporting reconciliation review, NARA did not pursue the issue at that time to determine the root cause and whether the disposition was appropriate. NARA's current monitoring controls over ARC processes was inadequate to provide timely feedback to ensure that errors are adequately and appropriately resolved by NARA and ARC.

Recommendations:

We recommend that NARA management:

8. Verify that ARC has implemented the appropriate corrective actions to ensure that future errors are mitigated.
9. Implement monitoring procedures over ARC processes to ensure potential and actual errors are internally reviewed, mitigated, and corrected on a timely basis.

INDEPENDENT AUDITORS' REPORT, CONTINUED

EXHIBIT B Noncompliance with Laws and Regulations

1. Violation of the Antideficiency Act (New Finding)

During FY 2019, NARA identified an Antideficiency Act violation that occurred when a contract was modified in August 2019 to change the funding sources for the contract. The interface between PRISM and Oracle resulted in an error which was not corrected properly causing certain funding information to disappear and the total obligations to be understated for FY 2019. See detailed description of the violation in Exhibit A.

Title 31, Section 1341 of the U.S. Code, Limitations on expending and obligating amounts, states that "an officer or employee of the United States Government or of the District of Columbia may not ... make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation."

We recommend that NARA management:

1. Correct the funding deficiency for the contract in question.
2. Report the Antideficiency Act violation in accordance with Title 31, Section 1351 of the U.S. Code and OMB guidance.

INDEPENDENT AUDITORS' REPORT, CONTINUED

EXHIBIT C NARA's Comments



ARCHIVIST *of the*
UNITED STATES

DAVID S. FERRIERO

T: 202.357.5900

F: 202.357.5901

david.ferriero@nara.gov

Date: March 3, 2020

To: James Springs
Inspector General

From: David S. Ferriero
Archivist of the United States

Subject: Management Response to the FY2019 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, 2019.

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 concurs with the recommendations of the independent auditor. NARA acknowledges both the new finding on timely resolution of errors as well as the long-standing Information Security challenges identified in this report. NARA has been working closely with our financial management shared services provider to address the finding related to the timely resolution of errors. Corrective actions were taken immediately and we will continue to evaluate and implement additional controls to prevent a recurrence.

NARA self-identified IT security as a material weakness in internal controls and a summary of our corrective action plan is included in the FY 2019 Statement of Assurance. I appreciate the work performed by the auditor in this area and will ensure the auditor's findings and recommendation are incorporated into NARA's action plan.

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

DAVID S. FERRIERO
Archivist of the United States

NATIONAL ARCHIVES *and*
RECORDS ADMINISTRATION

700 PENNSYLVANIA AVENUE, NW

WASHINGTON, DC 20408-0001

www.archives.gov

INDEPENDENT AUDITORS' REPORT, CONTINUED

**EXHIBIT D
Status of Prior Years' Recommendations**

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

<i>FY 2018 Recommendation</i>	<i>Type</i>	<i>Fiscal Year 2019 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:		
a. Ensure user accounts are reviewed and disabled in accordance with NARA's information technology policies and requirements.	Significant Deficiency 2018	Open; see 2019 Significant Deficiency, recommendation "a"
b. Increase NARANet storage capacity to enable retention of NARANet events in accordance with NARA policy.	Significant Deficiency 2018	Closed.
c. Ensure that all incidents are reported to US-CERT within one hour of discovery.	Significant Deficiency 2018	Closed.
d. Ensure Security Assessment Reports are updated with summaries of test failures for all failed controls identified.	Significant Deficiency 2018	Closed.
e. Ensure security documentation such as system security plans are reviewed and updated on an annual basis, for each system.	Significant Deficiency 2018	Closed.
f. Ensure plans of actions and milestones are created, updated and remediated, for each system, in accordance with NARA policies, guidance and directives.	Significant Deficiency 2018	Open; see 2019 Significant Deficiency, recommendation "c".
g. Implement remediation efforts to address security deficiencies identified during our assessments of NARA's database platforms and network infrastructure	Significant Deficiency 2018	Open; see 2019 Significant Deficiency, recommendations "d" and "e".

INDEPENDENT AUDITORS' REPORT, CONTINUED

<i>FY 2018 Recommendation</i>	<i>Type</i>	<i>Fiscal Year 2019 Status</i>
h. Fully complete the migration of applications to vendor supported operating systems	Significant Deficiency 2018	Open; see 2019 Significant Deficiency, recommendation "f".
i. Ensure all changes are tested and properly approved before being moved into the production environment.	Significant Deficiency 2018	Closed.