



October 13, 2020

TO: David S. Ferriero
Archivist of the United States

FROM: James Springs *James Springs*
Inspector General

SUBJECT: *Review of NARA's Actions Resulting in the FY 2019 Antideficiency Act Violation*
OIG Report No. 21-R-01

In fiscal year (FY) 2019, the National Archives and Records Administration (NARA) obligated \$789,730 in excess of available appropriations resulting in a violation of the Antideficiency Act (ADA). NARA's Office of Inspector General (OIG) evaluated NARA's actions related to the obligation resulting in the FY 2019 ADA violation. Specifically, we evaluated internal and management controls over the processes used, and NARA's guidance related to obligations.

The obligation error resulting in the ADA was initially based on the failure of system controls of NARA's financial management shared services provider, the Administrative Resource Center (ARC). However, the Office of the Chief Acquisition Officer (CAO), Office of the Chief Financial Officer (CFO) and Information Services¹ also failed to detect, investigate, correct the actions, and/or prevent the error. In these offices, internal and management controls were not adhered to, oversight processes were not in place, and timely communications did not occur.

Specifically, these conditions were not detected or prevented due to the following:

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

Had controls been in place and functioning as intended, the ADA violation may have been averted.

¹ ARC is part of the Department of the Treasury's Bureau of the Fiscal Service, and it provides a full range of financial management services to NARA under an interagency agreement. Services with NARA include financial management system services, procurement system services, and a full range of accounting services.

² Open items are financial transactions that represent an obligation of funds for which payment has not been made.

The OIG is making four recommendations to ensure NARA has controls in place to prevent and detect similar incidents from occurring in the future. These recommendations will also be included as part of the FY 2020 financial statements audit.

Background³

On July 1, 2019, NARA awarded a contract to PCMG, a Microsoft reseller, for a base year with two option years. The award for the base year included three CLINs: CLIN 0001 was for Microsoft Assurance Products, with a price of \$181,257.26; CLIN 0002 was for Microsoft Office 365 Subscription licenses, with a price of \$1,383,644.95; and CLIN 0003 was for Microsoft Premier Support Services, with a price of \$202,745. NARA had available appropriations and obligated the full amount for CLINs 0001, 0002, and 0003 at the time of contract award.

On August 16, 2019, NARA made a modification (Mod 0001) to the contract. The purpose of the modification was to change the percentage of funds allocated to specific accounting strings on the CLINs. The total amount obligated for each CLIN was to remain the same. However, when ARC processed the modification, it inadvertently removed and de-obligated the funding for CLINs 0002 and 0003. The funding for CLIN 0001 remained obligated, but included incorrect percentages for the accounting lines.

The CAO, the program office, and the contractor were initially unaware that there had been a problem with processing of Mod 0001, or that the funding for CLINs 0002 and 0003 had been deobligated. As a result, NARA treated the mistakenly deobligated funds as available for expenditure in FY 2019. The CFO discovered the mistake on November 12, 2019 when the CFO prepared the Digital Accountability and Transparency Act of 2014 (DATA Act) reconciliation for FY 2019 transactions. NARA notified the OIG about the ADA violation on November 18, 2019, one day prior to the due date for the NARA's FY 2019 Financial Statements.

In its Independent Auditors Report,⁴ our contractor CliftonLarsonAllen, LLP (CLA) reported NARA had inadequate internal controls over the timely resolution of the error that resulted in a violation of the ADA. Specifically, CLA noted while the variance related to the obligation 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. Additionally, NARA's monitoring controls at the time over ARC processes were inadequate to provide timely feedback to ensure errors were resolved by NARA and ARC. CLA also reported NARA obligated \$789,730 in excess of available appropriations in fiscal year 2019, resulting in a violation of the Antideficiency Act. Four recommendations were made in the audit report related to the ADA violation.

³ Excerpt, with additional information, from NARA's General Counsel's Memo "Anti-Deficiency Act Violation," dated December 5, 2019.

⁴ Dated November 11, 2019, except for Note 22 in the report, as to which the date was January 8, 2020

OIG Analysis

As previously mentioned, the obligation error resulting in the ADA was initially based on the failure of system controls of NARA's financial management shared services provider, ARC. However, the CAO, CFO and Information Services also failed to detect, investigate, correct the actions, and/or prevent the error. In these offices, internal and management controls were not adhered to, oversight processes were not in place, and timely communications did not occur.

Specifically, these conditions were not detected or prevented due to the following:

- (1) The CFO and CAO relied on ARC's system interfaces;
- (2) ARC did not adhere to its own oversight controls;
- (3) The CAO did not use appropriate cost allocations for CLINs and, when the error was detected, the CO did not require a new PR to correct the allocation; and
- (4) Interim Guidance 400-8, *Quarterly Reconciliation of Open Items for all NARA Funds*, does not require program offices to review open obligations for completeness.

Issues leading to this ADA violation include the following:

ARC

- An ARC analyst failed to identify that the modification was not properly recorded in Oracle and authorized a "Release Without Validation" in Procurement Request Information System Management (PRISM),⁵ adding explanatory notes that the interface had occurred correctly when it had not. ARC analysts run daily "Release Without Validation" reports in PRISM monitoring transactions that were communicated to Oracle but where PRISM did not receive information acknowledging a successful interface.
- As a compensating control, a different ARC analyst ran a report to review all PRISM authorizations identified as "Release Without Validation," but because the original analyst included explanatory notes that the interface had occurred correctly, it did not appear on the reviewer's report and was not researched further.

Program Office (Information Services)

- The program office's budget analyst identified the incorrect split between operating expenses and the revolving fund. After requesting the correct cost allocation split on August 13, 2019, the analyst noticed CLINs 0002 and 0003 were missing after the contract modification in the month following the modification. After verifying the modification in PRISM was correct, the analyst did not take appropriate action by

⁵ ARC's PRISM system interfaces with ARC's instance of Oracle U.S. Federal Financials software (Oracle) to provide an integrated financial management solution for federal agencies, including budgetary control, fund accounting, cost accumulation and allocation, United States Standard General Ledger accounting, and reporting. The interface between PRISM and Oracle ensures that contractual obligations recorded in PRISM are automatically updated in Oracle, recording all the necessary budgetary and financial impacts for the agency.

verifying the modification in ORACLE was correct and then by notifying the program office's management or the CFO.

Chief Acquisition Officer

- While processing the solicitation, Acquisition's CO did not adequately review the Acquisition's Contractor allocation when the solicitation was created; thus requiring a modification to correct the cost allocation split.
- The CO modified the cost allocation split, but did not require the program office to create a new PR because the modification was zero dollars and it was close to year-end. The CFO was not aware of the modification or change to the obligation because the office did not receive a PR for review in the normal routing process in PRISM.
- The CAO did not ensure monthly DATA Act differences were adequately researched and corrected. DATA Act differences occurs when the Oracle report on obligations called "File C" does not agree with the procurement award and awardee information sent to the Federal Procurement Database System – Next Generation (FPDS-NG), which is used by the DATA Act Broker (Broker) to create a report called "File D1." The CAO assumed the differences were due to timing, which is a usual occurrence.

Chief Financial Officer

- The CFO did not ensure monthly DATA Act differences were adequately researched and corrected. The CFO assumed the differences were due to timing, which is a usual occurrence.

Timeline

During the 4th quarter FY 2019 Operating Expenses (performed in August 2019) and Beginning FY 2019 Revolving Funds Open Obligation Review (performed in October 2019), the Contracting Officer Representative (COR) validated only CLIN 0001 of the obligation. The COR noticed CLINs 0002 and 0003 were missing, however the COR did not follow-up with program office management, the CFO, or the CAO about the missing CLINs. Interim Guidance 400-8, *Quarterly Reconciliation of Open Items for all NARA Funds*, provides guidance on the quarterly reconciliation of open items for all NARA funds. According to the interim guidance, Offices responsible for the obligation of NARA's funds must review and determine the validity of existing open balances at least once each quarter of the fiscal year. However, there is no guidance on reviewing open obligations for completeness. As a result, the missing CLINs were not researched and corrected timely.

Although ARC, the program office, and the CO were aware CLINs 0002 and 0003 were missing in October 2019 (after FY 2019 ended) after the vendor attempted to invoice NARA, both ARC and the Acquisition's Contractor were unsure of how to fix the error in a timely manner. The CO notified the Chief Acquisition Officer and Senior Procurement Executive in November 2019. However, at that time, the CFO was still not made aware of the missing CLINs.

Meanwhile, the CFO and a different division in ARC were working on DATA Act reporting where the differences were identified. The DATA Act differences for August 2019 were provided to the CFO in October 2019 in a Brokers Warning Report from ARC as it relates to DATA Act reporting. The CFO forwarded the differences to the CAO for review. The CAO believed the differences were timing differences (which usually resolved the following month) and therefore took no action. However, the differences appeared again in the Brokers Warning Report for September and provided to the CFO in November during the 4th quarter DATA Act reporting process.

Although ARC and the CAO continued investigating the error related to the CLINs in October and November 2019, they still had not communicated the error to the CFO. It was not until November 2019 that the CFO began actively researching the error. The CFO researched the differences in PRISM and Oracle, discovering those systems were out of sync. Had the CFO been informed of the error associated with the missing CLINs, they would have likely known of the potential anti-deficiency earlier and potentially the reason for the DATA Act differences.

As of the date of this report, NARA has not issued its FY 2019 Agency Financial Report (AFR), as the agency is waiting on the Office of Management and Budget's opinion on the ADA violation before issuing the AFR. Also, four recommendations related to the ADA violation remain open from the Audit of NARA's Financial Statements for FY 2019. NARA has begun corrective action associated with one recommendation related to the underfunding of CLINs 0002 and 0003.

Recommendations⁶

We recommend:

Recommendation 1: The Office of the Chief Acquisition Officer ensures Contracting Officers understand their responsibility to use appropriate cost allocations for each contract line.

Recommendation 2: The Chief Financial Officer update Interim Guidance 400-8, *Quarterly Reconciliation of Open Items for all NARA Funds*, to include a review of open obligations for completeness. There should be steps for contracting officer representatives and program office management to take if they detect an obligation is not complete, including how to bring any errors to the attention of the Office of the Chief Financial Officer.

Recommendation 3: The Chief Financial Officer and Chief Acquisition Officer ensure monthly DATA Act differences are adequately researched and corrected in a timely manner.

⁶ These recommendations will also be included as part of the Audit of NARA's Financial Statements for FY 2020.

Recommendation 4: The Chief Financial Officer and Chief Acquisition Officer establish procedures for timely escalation of known errors.

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

Please call me with any questions, or your staff may contact Jewel Butler, Assistant Inspector General for Audits.

cc: Debra Wall, Deputy Archivist of the United States
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