



FY 2023 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 equitable 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 continuously engage with and learn from our customers: individuals, communities, organizations, and other Federal agencies. We build long-term and strategic customer relationships to ensure our services are valued by our customers and we work together to improve our efficiency, engagement, and equity.

Maximize NARA's Value to the Nation

NARA will reform and modernize records management practices across the Federal government, advancing digital preservation of archival electronic records, and supporting the transition to digital government.

Build our Future Through Our People

NARA will provide all our employees with the learning and leadership opportunities necessary to support their career development, enable their successful transition to a digital environment, and thrive in an inclusive, supportive, and diverse work environment.

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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 2023 Agency Financial Report (AFR) for the National Archives and Records Administration

(NARA). The AFR is a report on NARA's financial and performance results for FY 2023. The AFR allows the President, Congress, and the American people to assess our stewardship over the Government resources that have been entrusted to NARA.

It is an honor and a privilege to join NARA as the 11th Archivist of the United States. Our mission is both straightforward and complex: strengthen our nation's democracy through access to the public records we hold in trust. My vision is that every American will utilize the resources of the National Archives to learn about our shared national history. We can achieve this vision with a single-minded focus on expanding access to the records we hold in trust for the American people.

Eliminating the backlog of requests that accumulated at the National Personnel Records Center (NPRC) during the COVID-19 pandemic has been my top priority. My first official trip as Archivist of the United States was to the NPRC, where I reinforced my commitment to eliminating the backlog, and to witness first hand the extraordinary work of NPRC staff in support of our nation's veterans.

NARA's greatest accomplishment in FY 2023 was the significant progress that has been made on the NPRC backlog of requests. The NPRC completely eliminated the backlog of requests for separation documents (DD Form 214 or equivalent). Requests for the DD-214 account for the majority of our requests because it is the record most often needed by veterans and their families to claim a benefit. Today, we have no backlog of requests for separation documents and the average response time for a DD-214 request is only eight days.

The remainder of our backlog is made up of requests for documentation other than DD-214. Typically, these requests are substantially more complex than DD-214 requests because of the volume or condition of the records requested and because these cases normally require manual review and redaction of multiple individuals' personally identifiable information. We are on track to completely eliminate the entire NPRC backlog in January 2024.

In FY 2023, the NPRC also worked with the Department of Veterans Affairs to close a backlog of 168,000 cases tied to the Honoring our Promise to Address Comprehensive Toxics (PACT) Act. NPRC staff eliminated this backlog in just six months—two months ahead of schedule. Similarly, the Civilian Personnel Records Center (CPR) eliminated their pandemic backlog of requests for civilian personnel records. CPR falls under the NPRC umbrella and

is responsible for storing and maintaining the Official Personnel Folders of former federal employees who separated from service after 1951. Their backlog of records requests was eliminated within 18 months. These remarkable achievements underscore NARA's commitment to enhancing the customer experience and ensuring prompt responses to the public.

NARA realized many accomplishments in FY 2023 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 provide a full range of essential services to our Federal agencies and the American public.

Key Accomplishments

- NARA expanded access to the Electronic Records Archives (ERA) 2.0 system to include other Federal agencies. Customer agencies now have a modern, cloud- hosted platform for records scheduling and transfer services. ERA 2.0 improves the customer experience by providing a modern interface and dashboard to help agencies track the status of record scheduling and transfer requests through the approval process. The ERA 2.0 expansion not only enhances the user experience but also fortifies data security by requiring authentication for both internal and external users.

- NARA launched a new modernized National Archives Catalog. NARA uses the National Archives Catalog to provide free, public access to digitized and born- electronic archival Federal government records. The new platform is geared towards the future as the Catalog is expected to grow from 217 million pages at the end of FY 2023 to over 500 million digitized pages in the next few years. New enhancements make accessing the agency's holdings more intuitive for the user and improves the search experience by generating faster results.

- NARA and the Office of Management and Budget (OMB) jointly released a new memorandum, OMB/NARA M-23-07, Update to Transition to Electronic Records. This memo extends the original December 31, 2022, deadline given in M-19-21, Transition to Electronic Records to June 30, 2024. The new deadline allows agencies more time to complete their transition to electronic records due to implementation delays resulting from the COVID-19 pandemic. This memorandum reinforces the requirements established in M-19-21 and embraces the opportunities afforded to improve government by transitioning fully to an electronic environment.

- NARA announced plans to permanently display the Emancipation Proclamation in the Rotunda of the National Archives Building in Washington, D.C. The Emancipation Proclamation, a landmark document issued by President Abraham Lincoln on January 1, 1863, symbolizes a pivotal step in the abolition of slavery. The Emancipation Proclamation will be displayed alongside the Declaration of Independence, the Constitution, and the Bill of Rights. Together, these documents tell a more comprehensive story of the history of all Americans and document progress in our nation's continuous growth towards a more perfect Union.

- NARA hosted the Civics for US Teacher Institute, a week-long, in-person program designed to bolster civic education in July 2023. The institute offered hands-on learning experiences, highlighting NARA's classroom resources, best teaching practices, and the power of these resources to foster active learning across K-12 curricula. Dedicated educators received training on harnessing primary sources to enhance their students' civic knowledge and skills.

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. NARA's management is fully aware of these issues and is

committed to working collaboratively with our Inspector General to mitigate or resolve these risks.

In FY 2023, NARA downgraded Human Capital practices from a material weakness to a reportable condition. Internal controls over operations, reporting, and compliance have substantially improved in this program area. NARA will continue to collaborate with our shared services provider to ensure HR data is correct for all current and former employees.

NARA continues to recognize a material weakness in Information Technology (IT) security. Challenges in 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 in perpetuity.

Based on the status and progress that NARA has made to address its challenges and risk in FY 2023, I am able to provide a modified statement of assurance that - with the exception of a material weakness in IT security - 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, via NARA's Internal Controls Program; information obtained and evaluated by management through daily operations; discussions of weaknesses and risk conducted by NARA senior leadership, risk management officials and bodies, and risk management staff; and audits conducted by NARA's Office of Inspector General, 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 2023 accomplishments are the result of the commitment and dedicated efforts of our most valuable asset: our NARA employees. 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.

Sincerely,



DR. COLLEEN J. SHOGAN
Archivist of the United States

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

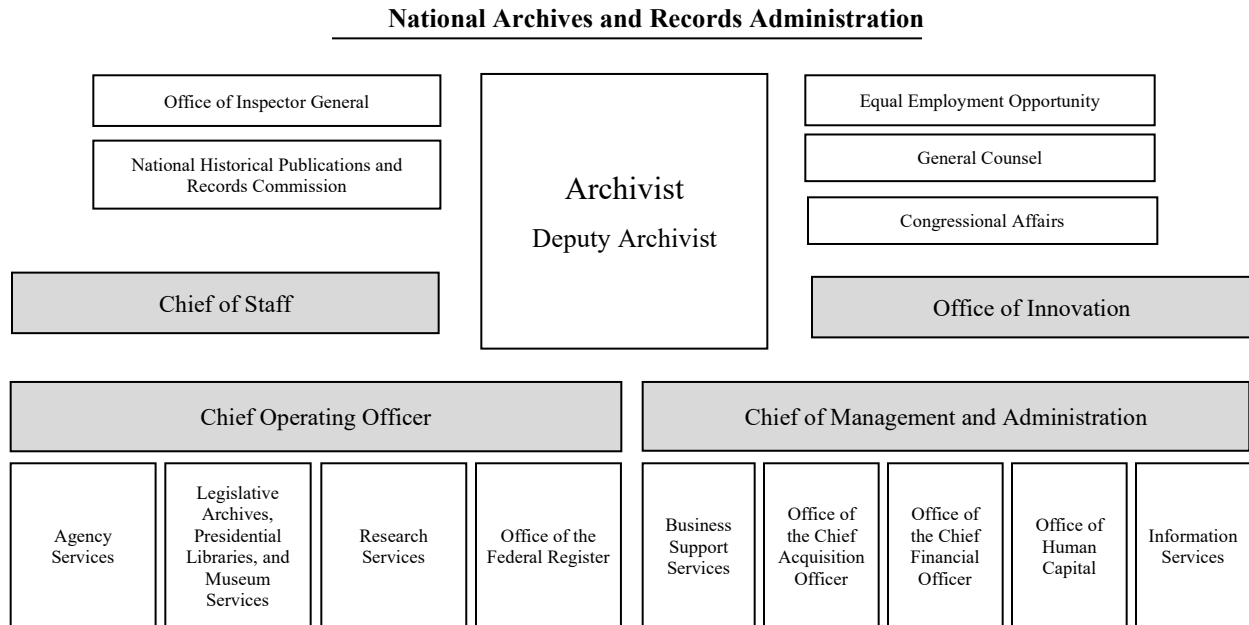
The Management's Discussion and Analysis (MD&A) section presents NARA's financial condition and program performance.

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 includes Business Support Services, Office of the Chief Acquisition Officer, Office of the Chief Financial Officer, Office of Human Capital, and Information Services. 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 her.



- *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.

National Archives and Records Administration
FY 2023 Agency Financial Report

- *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.

NARA GEOGRAPHIC LOCATIONS



Performance Highlights by Strategic Goal

Make Access Happen

NARA’s mission is to provide public access to Federal Government records. 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 measures “access” using a composite measure of several metrics. These metrics include the percentage of archival holdings that will receive archival processing. Archival processing refers to those actions NARA must take to enable efficient access for research, which includes performing holdings maintenance, and describing the records in the National Archives Catalog.

NARA exceeded the metric set for this target this year. NARA has processed a cumulative total of 4.7 million cubic feet of unclassified archival records,

resulting in 90 percent of total unclassified archival records being processed.

In FY 2023, NARA developed criteria to identify holdings that would provide more equity in the availability of NARA’s holdings to or about underrepresented communities, developed procedures to engage underserved communities to better understand their interests and priorities, and developed standards to measure enhanced description.

Looking ahead to FY 2025, NARA will operationalize the standards and procedures developed in FY 2023 to substantially increase the volume and diversity of records accessible to the public, fostering a more inclusive and comprehensive understanding of American history and society.

Performance Goal: By FY 2026, NARA will process 85 percent of archival holdings and increase enhanced descriptions to promote equity in discovery and public access to archival records related to underserved communities.

<i>Performance Measure</i>	<i>Year</i>	2022	2023
NARA will maintain at least 85% of our holdings (by volume) processed at a basic level at all times	<i>Target</i>	85%	85%
	<i>Actual</i>	91%	90%
NARA will target records series related to or about underserved communities identified during	<i>Target</i>	<i>Establish Baseline</i>	<i>2 million pages and 75,000 digital files</i>
	<i>Actual</i>	N/A	TBD

Connect with Customers

Understanding the customer is the cornerstone of a successful customer experience. For NARA, customer service is paramount to fulfilling its mission. NARA continuously engages with and learns from its customers, including individuals, communities, organizations, and other Federal agencies.

In FY 2023, NARA embarked on a research endeavor to catalog all major lines of business and services while exploring agency-wide opportunities to enhance service delivery. Our commitment to improving the on-site researcher experience began in FY 2023 and will extend through FY 2024.

As the 250th anniversary of the Declaration of Independence approaches, NARA is working to ensure its public programs advance NARA

goals for inclusivity, expanding community engagement, and enhancing historical narratives. In FY 2023, NARA conducted research and engaged outside groups to ensure that the redesigned National Archives Museum (NAM) embraces visitors with a variety of physical, sensory, and cognitive accessibility needs. NARA also conducted extensive engagement to ensure that the exhibits in the redesigned NAM recognize the contributions of all Americans to the founding of the Nation.

Beginning in FY 2024, all new museum exhibit development efforts will incorporate best practices for engaging underrepresented communities in the conceptualization, development, and presentation of exhibits and public programs.

Maximize NARA’s Value to the Nation

NARA recognizes that public access to government information creates measurable economic value, which adds to the enduring cultural and historical value of our records. NARA will provide agencies with guidance on the appropriate retention of records in modern formats, including records created using virtual and collaborative tools, social media, and websites.

In FY 2023, NARA issued its final rule providing Executive agencies with detailed guidance on the appropriate digitization standards and metadata requirements for permanent, paper, photographic print, and mixed-media records. These regulations form the core of NARA’s approach to supporting government-wide implementation of

OMB Memorandum M-23-07, *Update to Transition to Electronic Records*.

NARA will continue to support electronic recordkeeping by developing new digitization and metadata standards for transmissive records, such as photographic negatives, transparencies, and aerial film. NARA expects to release transmissive records regulations in early FY 2025.

NARA is also actively exploring approaches and solutions for the implementation of a public dashboard, to transparently report on records management issues across the federal government.

Performance Goal: By FY 2026, NARA will provide policy, requirements, and oversight to support a transparent, inclusive, and fully digital government.

<i>Performance Measure(s)</i>	<i>Year</i>	2022	2023
Percent of agencies reporting use of NARA’s digitization standards	<i>Target</i>		<i>Baseline</i>
	Actuals	N/A	N/A
Percent of agencies reporting NARA’s digitization guidance meets expectations	<i>Target</i>		<i>Baseline</i>
	Actuals	N/A	N/A

Build our Future Through Our People

NARA is dedicated to building a workplace culture based on the principles of Diversity, Equity, Inclusion, and Accessibility (DEIA) so that all employees are empowered, engaged, and prepared to become the next generation of leaders.

In FY 2023, NARA expanded its nascent group coaching program to offer new coaching experiences tailored specifically for supervisors. In total, NARA offered group coaching

opportunities for all employees, group coaching for supervisors, and individual coaching opportunities. NARA has also incorporated coaching into its Supervisors’ Development Program.

NARA will continue to expand coaching opportunities and increase awareness among the employees across all grade levels and positions. NARA is also developing a methodology to evaluate coaching effectiveness by tracking coaching outcomes over time.

Performance Goal: By FY 2026, NARA will increase the frequency of effective coaching that employees receive by 50 percent to improve performance, retention, and relationships across 85% of NARA positions will be filled within 80 days.

<i>Performance Measure(s)</i>	<i>Year</i>	<i>2022</i>	<i>2023</i>
Increase the agency-wide average frequency of effective coaching above the initial baseline measure.	<i>Target</i>	<i>Baseline</i>	12.5%
	Actuals	3.5%	N/A
Provide training opportunities in effective coaching for new supervisors.	<i>Target</i>	70%	85%
	Actuals	88%	84%*
Provide training opportunities in effective coaching for all supervisors and team leads.	<i>Target</i>	N/A	10%
	Actuals	N/A	6%*
Provide internal and external individual and group coaching services to employees at all grade levels.	<i>Target</i>	1%	5%
	Actuals	1.2%	1.72%*

*Value as of January 2023

Analysis of Financial Statements and Stewardship Information

Dollars in Millions	FY 2023	FY 2022	Increase/(Decrease)	
			\$	%
COSTS				
Gross Program Costs	\$ 693	\$ 672	\$ 21	3%
Less: Earned Revenue	\$ 251	\$ 223	\$ 28	13%
Net Cost of Operations	\$ 442	\$ 449	\$ (7)	-2%
NET POSITION				
Assets:				
Fund Balance with Treasury	\$ 334	\$ 281	\$ 53	19%
Investments, Net	\$ 104	\$ 99	\$ 5	5%
Property, Plant & Equipment, Net	\$ 78	\$ 83	\$ (5)	-6%
Other	\$ 14	\$ 10	\$ 4	40%
Total Assets	\$ 530	\$ 473	\$ 57	12%
Liabilities:				
Accounts Payable	\$ 29	\$ 36	\$ (7)	-19%
Federal Employee Benefits Payable	\$ 22	\$ 24	\$ (2)	-8%
Other	\$ 25	\$ 29	\$ (4)	-14%
Total Liabilities	\$ 76	\$ 89	\$ (13)	-15%
Net Position (Assets minus Liabilities)	\$ 454	\$ 384	\$ 70	18%

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, 2023. The Financial Section of this report contains the financial statements, footnotes, and auditors' report.

NARA's financial statements consolidate the activity of the seven Fund accounts under NARA's control. This includes appropriations from Congress and funding from other

sources. 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.

Discretionary Appropriations

NARA Operating Expenses appropriation, provides for the operation of the Federal government's archives and records management activities, the preservation

of permanently valuable historical records, and their access and use by the public.

The Office of Inspector General appropriation provides for independent audits, investigations, and other services.

Repairs and Restoration appropriation provides for repairs, alterations, and improvements to the 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 preserve and publish non-Federal records that document American history.

Revolving Fund

Records Center Revolving Fund, full cost recovery revolving fund that provides for the storage and related services that NARA Records Centers provide to Federal agency customers. 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 allows NARA to collect fees from the public for reproductions of records in NARA holdings, sales of publications and products, and admission fees to museums at Presidential Libraries.

National Archives Gift Fund permits NARA to solicit and receive conditional and unconditional gifts from non-Federal sources for the benefit of or in connection with the archival and records activities administered by NARA.

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

The Statement of Budgetary Resources, included in the Financial section of this report, provides information on NARA's budgetary resources and their status at the end of the fiscal year.

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, awarding a contract, or similar

transaction, which will require payment 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 had a total of \$954 million in budgetary resources in FY 2023, an increase of \$110 million from FY 2022. This increase is due to carry-forward balance from FY2022 to FY2023 as a result of delays in two major projects due to the COVID-19 pandemic and increase in revenue in the Revolving Fund to address backlogs. Total net outlays in FY 2023 are \$435 million, an increase of \$37 million from \$398 million in FY 2022.

Approximately 52 percent (\$494 million) of NARA’s total budgetary resources came from current-year appropriations, and 28 percent (\$265 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 (\$196 million).

In FY 2023, NARA received \$35.9 million in Congressionally Directed Spending. This included \$22.6 million for specific NHPRC grants initiatives, \$7.3 million for the Jimmy Carter Presidential Library in Atlanta, GA, and \$6 million for the Ulysses S. Grant Presidential Museum in Starkville, MS.

In FY 2022, NARA was awarded \$9.1 million under the [Technology Modernization Fund \(TMF\)](#) to modernize the Archives and Records Centers Information System (ARCIS) and the Case Management Reporting System (CMRS). The TMF funds are a loan, repaid over five years. In FY2023 NARA processed two payments totalling approximately \$5 million.

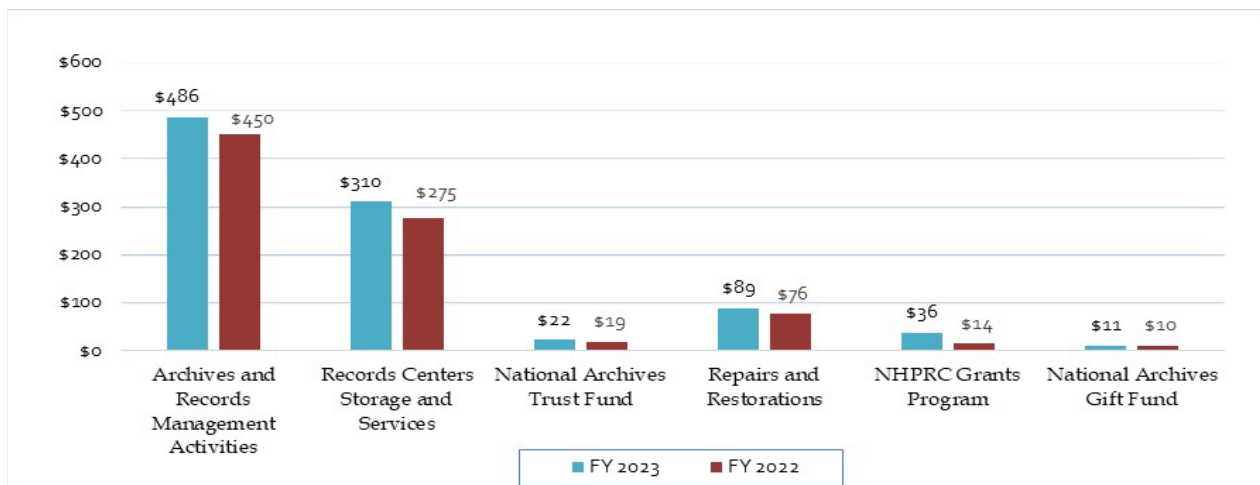


Figure 1: Total Budgetary Resources by Program (in millions)

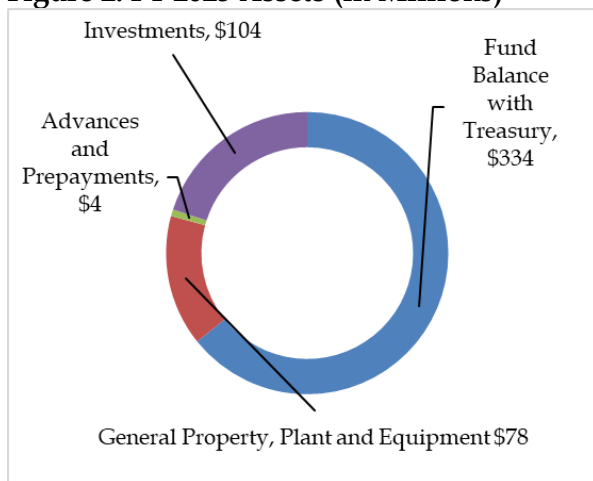
Analysis of the Consolidated Balance Sheet

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 \$530 million at the end of FY 2023 consisted of cash (*Fund Balance with Treasury*), buildings owned by NARA, internal-use software and equipment (*General Property, Plant, and Equipment*), Trust and Gift Fund investments, and amounts owed to NARA by customers, mostly Federal agencies (*Accounts receivable*).

NARA’s FY 2023 total asset balance increased approximately \$57 million over FY2022 primarily due to the additional funding provided in the FY 2023 Omnibus Appropriations Act.

Figure 2: FY 2023 Assets (in Millions)



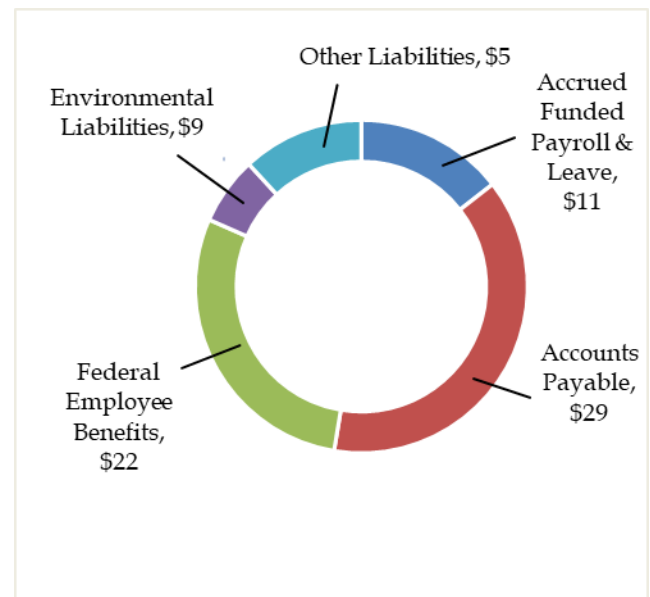
NARA held *Total Liabilities* of \$76 million at the end of FY 2023, \$13 million less than the previous fiscal

year. Forty-two percent (\$32 million) of NARA’s total liabilities are unfunded, i.e., budgetary resources are not yet available as of September 30, 2023.

The major elements of unfunded liabilities are \$15.1 million for unfunded annual leave balances of NARA employees, \$9.2 million for *Environmental asbestos clean-up costs*, and \$6.8 million for the actuarial portion of *Federal Employees' Compensation Act (FECA)*.

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

Figure 3: FY 2023 Liabilities (in millions)



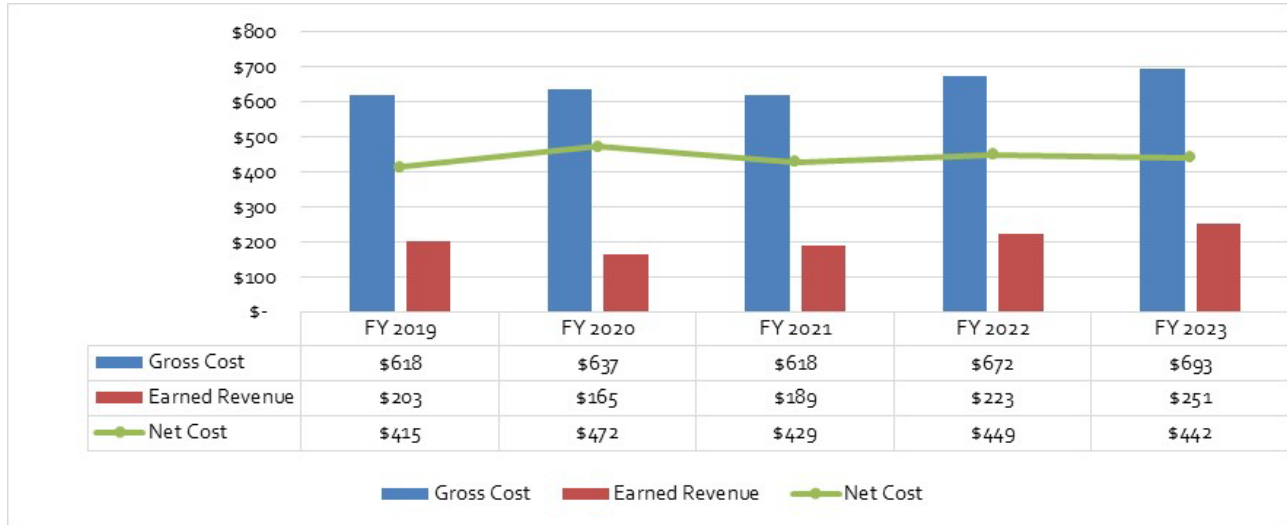
Analysis of the Consolidated Results of Operations (Statement of Net Cost)

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 \$442 million for FY 2023. NARA incurred \$693 million in gross costs in FY 2023, partially offset by \$251 million

in revenues collected from Federal and non-Federal sources. Expenses financed by Congressional appropriations represent about 62 percent (\$433 million) of NARA’s FY 2023 total gross costs.

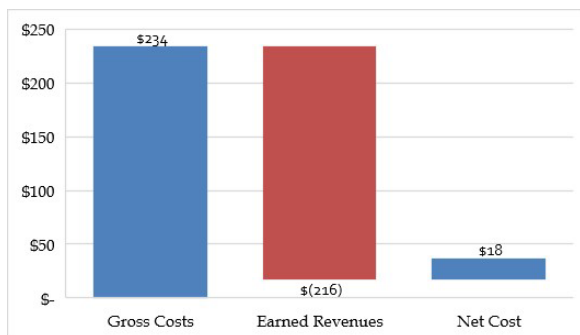
Figure 4: FY2023 Net Cost of Operations (in millions)



Records Centers Revolving Fund, Results of Operations

In FY 2023, the Records Centers Revolving Fund incurred \$234 million in gross costs, and earned \$216 million in revenues, resulting in net costs of \$18 million. In comparison, net costs in FY 2022 were \$13 million.

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 \$8 million in FY 2023 in comparison to net cost of operations of \$16 million in FY 2022.

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 2023 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, 2023, provides reasonable assurance that – except for the material weakness associated with Information Technology Security – the Agency's internal controls achieved their intended objectives in FY 2023.

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 #24-01, *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.

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 expects to see a substantial increase in the volume of analog records that are digitized in-house and made available through the National Archives Catalog. NARA is currently hiring new digitization staff and will also bring online our new, mass digitization facility funding in FY 2020 appropriations.

Connect with Customers

Connect with Customers challenges us to continuously improve the customer experience, cultivate public participation, and generate new understanding of the importance of records in a democracy.

In FY 2024, NARA will prioritize opportunities for enhancing service delivery through human-centered research and design. Furthermore, NARA has already identified two enterprise service channels for the consistent collection of customer feedback, facilitated by the acquisition of a customer feedback management system.

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.

In FY 2024, digital preservation efforts will focus on preparing the platform and its users for deployment in FY 2025. Also in FY 2025, NARA plans to deploy new tools to automatically identify file formats which is the first step towards developing functionality that will allow NARA to automatically detect and address format risk without continuous human intervention.

Build our Future through our People

NARA must provide all employees with learning and leadership opportunities necessary to successfully transition to a digital environment, support career development, and thrive in an inclusive, supportive, and diverse work environment.

In FY 2024, NARA will work with internal stakeholders to determine the skills needed for the future and to identify skill gaps in the current state. NARA’s goal is to publish skills for select mission critical job series in FY 2025.

Management Assurances



November 8, 2023

FY 2023 MODIFIED STATEMENT OF ASSURANCE

The National Archives and Records Administration (NARA) Management is responsible for establishing, maintaining, and assessing internal control to ensure operational and financial control, and financial management systems meet the requirements and objectives of 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 as of September 30, 2023 that, with the exception of a material weakness in NARA's Information Technology Security, NARA internal controls are meeting the intended objective of providing reasonable assurance that:

- (i) Programs achieve their intended results;
- (ii) Resources are used consistent with NARA's mission;
- (iii) Program 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 control 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 OMB/DHS targets for cybersecurity risk management metrics, (2) fully implement Executive Order 14028, *Improving the Nation's Cybersecurity*, and (3) implement NARA's Zero Trust Architecture. The action plan is expected to be completed by Fiscal Year 2025.

NATIONAL ARCHIVES *and*
RECORDS ADMINISTRATION
700 PENNSYLVANIA AVENUE, NW
WASHINGTON, DC 20408-0001
www.archives.gov

This assessment is based on results of internal control monitoring, testing and reporting conducted by NARA offices, via NARA's Internal Controls Program; information obtained and evaluated by management through daily operations; discussions of weaknesses and risk conducted by NARA senior leadership, risk management officials and bodies, and risk management staff; and audits conducted by NARA's Office of Inspector General, 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,



Dr. Colleen J. Shogan
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 2023 and FY 2022 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, 2023 and 2022

(in thousands)

	2023	2022
Assets:		
Intragovernmental assets:		
Fund Balance with Treasury (Note 2)	\$ 333,443	\$ 281,453
Investments, net (Note 3)	14,123	12,702
Accounts receivable, net (Note 4)	8,287	5,919
Advances and Prepayments	4,175	1,760
Total Intragovernmental assets	<u>360,028</u>	<u>301,834</u>
Other than intragovernmental assets:		
Cash and other monetary assets	36	36
Accounts receivable, net (Note 4)	575	408
Inventory and related property, net (Note 5)	789	732
General property, plant, and equipment, net (Note 6)	78,246	83,060
Investments, net (Note 3)	90,371	86,517
Other Assets - Deferred Assets	4	58
Total other than Intragovernmental assets	<u>170,021</u>	<u>170,811</u>
Total Assets	<u>\$ 530,049</u>	<u>\$ 472,645</u>
Stewardship property, plant, and equipment (Note 7)		
Liabilities (Note 8):		
Intragovernmental liabilities:		
Accounts payable	\$ 2,143	\$ 2,533
Other Liabilities (Note 10)	3,316	8,339
Total Intragovernmental liabilities	<u>5,459</u>	<u>10,872</u>
Other than intragovernmental liabilities		
Accounts payable	26,524	33,409
Federal employee benefits payable	22,186	24,285
Environmental and disposal liabilities (Notes 8 & 9)	9,275	9,066
Other Liabilities (Note 10):	-	-
Accrued funded payroll and leave	11,234	11,163
Other liabilities	1,490	540
Total other than intragovernmental liabilities	<u>70,709</u>	<u>78,463</u>
Total Liabilities	<u>\$ 76,168</u>	<u>\$ 89,335</u>
Commitments and Contingencies (Note 12)		
Net Position:		
Unexpended Appropriations -Funds from Other than Dedicated Collections (Note 13)	\$ 239,070	\$ 180,943
Total Unexpended Appropriations (Consolidated)	<u>239,070</u>	<u>180,943</u>
Cumulative Results of Operations-Funds from Dedicated Collections (Note 13)	105,301	99,760
Cumulative Results of Operations -Funds from Other than Dedicated Collections	<u>109,510</u>	<u>102,607</u>
Total Cumulative Results of Operations (Consolidated)	<u>214,811</u>	<u>202,367</u>
Total Net Position	<u>\$ 453,881</u>	<u>\$ 383,310</u>
Total Liabilities and Net Position	<u>\$ 530,049</u>	<u>\$ 472,645</u>

The accompanying notes are an integral part of these statements.

National Archives and Records Administration
 FY 2023 Agency Financial Report

Consolidated Statement of Net Cost

For the years ended September 30, 2023 and 2022

(in thousands)

	<u>2023</u>	<u>2022</u>
Archives and Records Management Activities		
Gross costs	\$ 413,602	\$ 405,099
Less: Earned Revenue	<u>(135)</u>	<u>(64)</u>
Net Program Costs	<u>\$ 413,467</u>	<u>\$ 405,035</u>
Records Center Storage and Services		
Gross costs	\$ 233,892	\$ 211,878
Less: Earned Revenue	<u>(216,075)</u>	<u>(198,712)</u>
Net Program Costs	<u>\$ 17,817</u>	<u>\$ 13,166</u>
Trust and Gift Funds		
Gross costs	\$ 26,375	\$ 39,611
Less: Earned Revenue	<u>(34,477)</u>	<u>(23,257)</u>
Net Program Costs	<u>\$ (8,102)</u>	<u>\$ 16,354</u>
Other Programs:		
National Historical Publications and Records Commission Grants	\$ 8,523	\$ 6,328
Archives Facilities and Presidential Libraries Repairs and Restoration	<u>10,640</u>	<u>8,605</u>
Less: Earned Revenue	-	-
Net Other Program Costs	<u>\$ 19,163</u>	<u>\$ 14,933</u>
Net Cost of Operations	<u><u>\$ 442,345</u></u>	<u><u>\$ 449,488</u></u>

The accompanying notes are an integral part of these statements.

National Archives and Records Administration
FY 2023 Agency Financial Report

Consolidated Statement of Changes in Net Position

For the year ended September 30, 2023

(in thousands)	Funds from Dedicated Collections (Consolidated Totals) (Note 13)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Totals
Unexpended Appropriations:				
Beginning Balance	\$ -	\$ 180,943	\$ -	\$ 180,943
Appropriations received	-	490,297	-	490,297
Appropriations Transferred In/Out	-	(2,000)	-	(2,000)
Other Adjustments	-	(4,303)	-	(4,303)
Appropriations used	-	(425,867)	-	(425,867)
Net Change in Unexpended Appropriations	-	58,127	-	58,127
Total Unexpended Appropriations	<u>\$ -</u>	<u>\$ 239,070</u>	<u>\$ -</u>	<u>\$ 239,070</u>
Cumulative Results of Operations:				
Beginning Balance	\$ 99,760	\$ 102,607	\$ -	\$ 202,367
Financing Sources:				
Appropriations Used	-	425,867	-	425,867
Non-exchange Revenue	1,009	-	-	1,009
Donations and forfeitures of cash and cash equivalents	(2,680)	-	-	(2,680)
Transfers in/out without reimbursement	(560)	560	-	-
Imputed financing	418	30,035	-	30,453
Other	140	-	-	140
Total Financing Sources	<u>(1,673)</u>	<u>456,462</u>	<u>-</u>	<u>454,789</u>
Net Cost of Operations	<u>7,214</u>	<u>(449,559)</u>	<u>-</u>	<u>(442,345)</u>
Net Change in Cumulative Results of Operations	5,541	6,903	-	12,444
Total Cumulative Results of Operations	<u>105,301</u>	<u>109,510</u>	<u>-</u>	<u>214,811</u>
Net Position	<u>\$ 105,301</u>	<u>\$ 348,580</u>	<u>\$ -</u>	<u>\$ 453,881</u>

The accompanying notes are an integral part of these statements.

National Archives and Records Administration
 FY 2023 Agency Financial Report

Consolidated Statement of Changes in Net Position

For the year ended September 30, 2022

(in thousands)	Funds from Dedicated Collections (Consolidated Totals) (Note 13)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Totals
Unexpended Appropriations:				
Beginning Balance	\$ -	\$ 125,330	\$ -	\$ 125,330
Appropriations received	-	476,543	-	476,543
Other adjustments	-	(4,182)	-	(4,182)
Appropriations used	-	(416,748)	-	(416,748)
Net Change in Unexpended Appropriations	-	55,613	-	55,613
Total Unexpended Appropriations	<u>\$ -</u>	<u>\$ 180,943</u>	<u>\$ -</u>	<u>\$ 180,943</u>
Cumulative Results of Operations:				
Beginning Balance	\$ 119,019	\$ 95,373	\$ -	\$ 214,392
Financing Sources:				
Appropriations Used	-	416,748	-	416,748
Non-exchange revenue	668	-	-	668
Donations and forfeitures of cash and cash equivalents	2,374	-	-	2,374
Transfers-in/out without reimbursement	(529)	542	-	13
Imputed financing	322	22,364	-	22,686
Other	(4,943)	(83)	-	(5,026)
Total Financing Sources	(2,108)	439,571	-	437,463
Net Cost of Operations	(17,151)	(432,337)	-	(449,488)
Net Change in Cumulative Results of Operations	(19,259)	7,234	-	(12,025)
Total Cumulative Results of Operations	<u>99,760</u>	<u>102,607</u>	<u>-</u>	<u>202,367</u>
Net Position	<u>\$ 99,760</u>	<u>\$ 283,550</u>	<u>\$ -</u>	<u>\$ 383,310</u>

The accompanying notes are an integral part of these statements.

National Archives and Records Administration
FY 2023 Agency Financial Report

Combined Statement of Budgetary Resources

For the years ended September 30, 2023 and 2022

(in thousands)	2023	2022
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 195,548	\$ 134,605
Appropriations (discretionary and mandatory)	494,027	480,623
Spending authority from offsetting collections (discretionary and mandatory)	264,640	228,608
Total budgetary resources	\$ 954,215	\$ 843,836
 Status of Budgetary Resources		
New Obligations and Upward adjustments (total)	\$ 757,425	\$ 652,876
Unobligated balance, end of year:		
Apportioned, unexpired accounts	166,617	151,937
Exempt from apportionment, unexpired accounts	3,123	2,459
Unapportioned, unexpired accounts	15,783	23,335
Unexpired unobligated balance, end of year	185,523	177,731
Expired unobligated balance, end of year	11,267	13,229
Unobligated balance, end of year (total)	196,790	190,960
Total budgetary resources	\$ 954,215	\$ 843,836
 Outlays, Net and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	\$ 434,315	\$ 402,811
Distributed offsetting receipts	1,175	(4,022)
Agency Outlays, net (discretionary and mandatory)	\$ 435,490	\$ 398,789

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. Accounting Policies

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.

Upon review of the Reconciliation of Net Cost of Outlays it was determined that the Accounts Receivable and Accounts Payable eliminations should be included. As a result, Note 17 Reconciliation of Net Cost to Outlays for both the current and prior years have been updated to reflect this change.

C. Fund Balance with Treasury and Cash

Fund Balance with 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. NARA does not recognize any allowance for loss on intragovernmental accounts receivable as they are considered fully collectible.

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 General 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 Balance with Treasury	2023	2022
Unobligated Balance		
Available	\$ 155,583	\$ 141,657
Unavailable	27,050	36,565
Obligated Balance not yet disbursed	150,241	102,717
Sequestration for Trust fund	569	514
Total	\$ 333,443	\$ 281,453

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, net

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.

The Fair Value Levels identified below 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.
- Other - Includes investments that are measured at fair value using the net asset value per share of the investment and have not been categorized in the fair value hierarchy.

National Archives and Records Administration
 FY 2023 Agency Financial Report

Investments as of September 30, 2023

2023

(in thousands)	Cost	Interest Receivable	Net Investments	Unrealized Gain/(Loss)	Market Value
Intragovernmental Securities:					
(1) Marketable	\$ 14,121	\$ 2	\$ 14,123	\$ -	\$ 14,123
Total Intragovernmental	<u>\$ 14,121</u>	<u>\$ 2</u>	<u>\$ 14,123</u>	<u>\$ -</u>	<u>\$ 14,123</u>
Other Securities:					
(3) Trading (Mutual Funds)	\$ 93,638	\$ 54	\$ 93,692	\$ (3,321)	\$ 90,371
Total Trading Securities	<u>\$ 93,638</u>	<u>\$ 54</u>	<u>\$ 93,692</u>	<u>\$ (3,321)</u>	<u>\$ 90,371</u>
Total Investments	<u>\$ 107,759</u>	<u>\$ 56</u>	<u>\$ 107,815</u>	<u>\$ (3,321)</u>	<u>\$ 104,494</u>

Investments as of September 30, 2022

2022

(in thousands)	Cost	Interest Receivable	Net Investments	Unrealized Gain/(Loss)	Market Value
Intragovernmental Securities:					
(1) Marketable	\$ 12,702	\$ -	\$ 12,702	\$ -	\$ 12,702
Total Intragovernmental	<u>\$ 12,702</u>	<u>\$ -</u>	<u>\$ 12,702</u>	<u>\$ -</u>	<u>\$ 12,702</u>
Other Securities:					
(3) Trading (Mutual Funds)	\$ 86,517	\$ -	\$ 86,517	\$ -	\$ 86,517
Total Trading Securities	<u>\$ 86,517</u>	<u>\$ -</u>	<u>\$ 86,517</u>	<u>\$ -</u>	<u>\$ 86,517</u>
Total Investments	<u>\$ 99,219</u>	<u>\$ -</u>	<u>\$ 99,219</u>	<u>\$ -</u>	<u>\$ 99,219</u>

Fair Value Measurements of Securities and Investments as of September 30, 2023

	Level 1	Level 2	Level 3	Other	Total
Non-federal Securities					
(3) Trading (Mutual Funds)	\$ -	\$ -	\$ 93,692	\$ -	\$ 93,692
Total Fair Value Measurements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,692</u>	<u>\$ -</u>	<u>\$ 93,692</u>

Fair Value Measurements of Securities and Investments as of September 30, 2022

	Level 1	Level 2	Level 3	Other	Total
Non-federal Securities					
(3) Trading (Mutual Funds)	\$ -	\$ -	\$ 86,517	\$ -	\$ 86,517
Total Fair Value Measurements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,517</u>	<u>\$ -</u>	<u>\$ 86,517</u>

Note 4 – Accounts Receivable, Net

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

(in thousands)	2023	2022
Intragovernmental:		
Accounts Receivable, Gross	\$ 8,287	\$ 5,919
Allowance for Uncollectible Amounts	-	-
Accounts Receivable, Net	\$ 8,287	\$ 5,919
Other than Intragovernmental:		
Accounts Receivable, Gross	\$ 575	\$ 408
Allowance for Uncollectible Amounts	-	-
Accounts Receivable, Net	\$ 575	\$ 408

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)	2023	2022
Inventory held for sale	\$ 888	\$ 831
Allowance for damaged and obsolete goods	(99)	(99)
Net realizable value	\$ 789	\$ 732

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)				2023	2022
Asset category	Useful life in years	Acquisition cost	Accumulated	Net Book Value	Net Book Value
			Depreciation		
Land	N/A	\$ 2,628	\$ -	\$ 2,628	\$ 2,628
Buildings and Structures	30	405,699	(392,872)	12,827	27,397
Construction in Progress	N/A	15,112	-	15,112	6,981
Equipment & Shelving	3 to 20	118,459	(110,674)	7,785	7,881
Leasehold Improvements	various	48,895	(39,757)	9,138	11,022
Assets under capital lease	20	-	-	-	-
Internal-Use Software	5	413,171	(391,154)	22,017	19,549
Software in Development	N/A	8,739	-	8,739	7,602
Total property, plant and equipment		<u>\$ 1,012,703</u>	<u>\$ (934,457)</u>	<u>\$ 78,246</u>	<u>\$ 83,060</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 PP&E

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.

	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 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 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, 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, 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 ERA 2.0 System, or ERA 2.0 system, was launched in October 2018 and maintains electronic records from Federal agencies. The Executive Office of the President (EOP) ERA environments maintain unclassified electronic archival holdings from the administrations of Ronald Reagan, George H.W. Bush, William J. Clinton, George W. Bush and Barack H. Obama. NARA is currently ingesting electronic archival holdings from the Donald J. Trump administration into an instance of the EOP ERA environment.

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.

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.

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>2023</u>	<u>2022</u>
Intragovernmental		
Other Liabilities	\$ 446	\$ 499
Total Intragovernmental	<u>\$ 446</u>	<u>\$ 499</u>
Environmental and disposal liabilities	\$ 9,275	\$ 9,066
TMF Loan	\$ 559	\$ 5,591
Federal employee benefits payable	21,988	24,103
Total liabilities not covered by budgetary resources	\$ 32,268	\$ 39,259
Total liabilities covered by budgetary resources	43,879	50,058
Total liabilities not requiring budgetary resources	<u>21</u>	<u>18</u>
Total liabilities	<u>\$ 76,168</u>	<u>\$ 89,335</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)	2023	2022
Intragovernmental:		
Accrued Funded Payroll and Leave	\$ 2,290	\$ 2,231
Accrued Unfunded Benefit Program Contribution Payable	441	484
TMF Loan	559	5,591
Custodial liabilities (to the general fund)	21	18
Miscellaneous liabilities	5	15
Total Intragovernmental	\$ 3,316	\$ 8,339
Other than intragovernmental:		
Accrued Funded Payroll and Leave	\$ 11,234	\$ 11,163
Other Liabilities w/Related Budgetary Obligations	1,465	494
Advances from others	25	46
Total other than intragovernmental	12,724	11,703
Total other liabilities	\$ 16,040	\$ 20,042

Note 11 - Leases

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

NARA Operating Leases Fiscal year	Asset Category (in thousands)				
	Land	Buildings	Federal	Non-Federal	Total
2024	\$ -	\$ 42,200	\$ 31,731	\$ 10,469	\$ 42,200
2025	-	40,028	33,980	6,048	40,028
2026	-	41,255	35,231	6,024	41,255
2027	-	39,002	35,481	3,521	39,002
2028	-	38,782	35,499	3,283	38,782
After 2028	-	237,842	237,842	-	237,842
Total future lease payments	\$ -	\$ 439,109	\$ 409,764	\$ 29,345	\$ 439,109

NARA leases office space, vehicles, 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
Dayton (Kingsridge), OH	September 1, 2004 through January 31, 2033
Lenexa, KS	February 1, 2003 through February 14, 2043
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, 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 above 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. We are currently operating in hold-over status while renewal lease is being executed.

The Pittsfield Federal Records Center (FRC) in Pittsfield, MA facility was closed in July 2023.

NARA engaged GSA to renew the Perris (Riverside), CA lease upon expiration of the current lease as delegated leasing authority is no longer available to NARA for a facility of this size. A 20-year lease effective 12/1/2024 has been awarded.

Note 12 - Commitments and Contingencies

NARA has incurred various claims in the normal course of business. As of September 30, 2023, and in the opinion of the General Counsel, NARA has one outstanding claim that have a reasonable possibility of an unfavorable outcome. The estimated range of loss for claims that are reasonably possible is less than \$250,000.

Management believes the possible loss for all other claims is remote or immaterial with respect to NARA's financial statements. Under law, any claims finally adjudicated or settled at the administrative level would be paid from the NARA's funds and any claims litigated in federal court would either be paid out of NARA's funds under the No FEAR Act or Contract Disputes Act, or out of 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, 2023 consists of:

(in thousands)	Trust Fund (Combined)	Gift Fund (Combined)	Total Funds from Dedicated Collections (Combined)	Eliminations between Dedicated Collection Funds	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet					
Intragovernmental					
Fund Balance with Treasury	\$ 688	\$ 108	\$ 796	-	\$ 796
Investments, net	5,410	8,713	14,123	-	14,123
Accounts receivable, net	33	-	33	-	33
Total intragovernmental assets	<u>6,131</u>	<u>8,821</u>	<u>14,952</u>	-	<u>14,952</u>
Cash and other monetary assets	37	-	37	-	37
Accounts receivable, net	173	-	173	-	173
Inventory and related property, net	789	-	789	-	789
Investments, (net)	72,192	18,178	90,370	-	90,370
Total other than intragovernmental	<u>73,191</u>	<u>18,178</u>	<u>91,369</u>	-	<u>91,369</u>
Total Assets	<u>\$ 79,322</u>	<u>\$ 26,999</u>	<u>\$ 106,321</u>	<u>\$ -</u>	<u>\$ 106,321</u>
Intragovernmental					
Accounts payable	\$ 23	-	\$ 23	-	23
Other liabilities	45	-	45	-	45
Total intragovernmental liabilities	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ 68</u>
Other than intragovernmental:					
Accounts payable	456	98	554	-	554
Federal employee benefits payable	7	-	7	-	7
Other liabilities	391	-	391	-	391
Total other than intragovernmental	<u>854</u>	<u>98</u>	<u>952</u>	-	<u>952</u>
Total liabilities	<u>922</u>	<u>98</u>	<u>1,020</u>	-	<u>1,020</u>
Unexpended appropriations					
Cumulative results of operations	78,400	26,901	105,301	-	105,301
Total liabilities and net position	<u>\$ 79,322</u>	<u>\$ 26,999</u>	<u>\$ 106,321</u>	<u>\$ -</u>	<u>\$ 106,321</u>
Statement of Net Cost					
Gross program costs	\$ 26,336	\$ 928	\$ 27,264	-	27,264
Less: Earned revenues	34,478	-	34,478	-	34,478
Net program costs	<u>(8,142)</u>	<u>928</u>	<u>(7,214)</u>	-	<u>(7,214)</u>
Net cost of operations	<u>\$ (8,142)</u>	<u>\$ 928</u>	<u>\$ (7,214)</u>	<u>\$ -</u>	<u>\$ (7,214)</u>
Statement of Changes in Net Position					
Cumulative Results of Operations:					
Beginning balance	\$ 69,848	\$ 29,912	\$ 99,760	-	99,760
Beginning balance, as adjusted	69,848	29,912	99,760	-	99,760
Intragovernmental Non-exchange revenue	-	1,009	1,009	-	1,009
Donations and forfeitures of cash and property	-	(2,680)	(2,680)	-	(2,680)
Transfers in/out without reimbursement	(8)	(552)	(560)	-	(560)
Imputed Financing	418	-	418	-	418
Other	-	140	140	-	140
Net Cost of Operations	<u>8,142</u>	<u>(928)</u>	<u>7,214</u>	-	<u>7,214</u>
Net Change in Cumulative Results of Operations	<u>8,552</u>	<u>(3,011)</u>	<u>5,541</u>	-	<u>5,541</u>
Net Position, end of period	<u>\$ 78,400</u>	<u>\$ 26,901</u>	<u>\$ 105,301</u>	<u>\$ -</u>	<u>\$ 105,301</u>

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Financial information for Trust Fund and Gift Fund as of September 30, 2022 consists of:

(in thousands)	Trust Fund (Combined)	Gift Fund (Combined)	Total Funds from Dedicated Collections (Combined)	Eliminations between Dedicated Collection Funds	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet					
Intragovernmental					
Fund Balance with Treasury	\$ 531	\$ 100	\$ 631	\$ -	\$ 631
Investments, net	5,093	7,609	12,702	-	12,702
Accounts receivable, net	32	-	32	-	32
Total intragovernmental assets	<u>5,656</u>	<u>7,709</u>	<u>13,365</u>	<u>-</u>	<u>13,365</u>
Cash and other monetary assets	36	-	36	-	36
Accounts receivable, net	195	-	195	-	195
Inventory and related property, net	732	-	732	-	732
Investments, net	64,116	22,400	86,516	-	86,516
Total other than intragovernmental	<u>65,079</u>	<u>22,400</u>	<u>87,479</u>	<u>-</u>	<u>87,479</u>
Total assets	<u>\$ 70,735</u>	<u>\$ 30,109</u>	<u>\$ 100,844</u>	<u>\$ -</u>	<u>\$ 100,844</u>
Intragovernmental					
Accounts payable	42	-	42	-	42
Other liabilities	47	-	47	-	47
Total intragovernmental liabilities	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ 89</u>
Other than intragovernmental:					
Accounts payable	210	197	407	-	407
Federal employee benefits payable	137	-	137	-	137
Other liabilities	451	-	451	-	451
Total other than intragovernmental	<u>798</u>	<u>197</u>	<u>995</u>	<u>-</u>	<u>995</u>
Total liabilities	<u>\$ 887</u>	<u>\$ 197</u>	<u>\$ 1,084</u>	<u>\$ -</u>	<u>\$ 1,084</u>
Unexpended appropriations					
Cumulative results of operations	<u>69,848</u>	<u>29,912</u>	<u>99,760</u>	<u>-</u>	<u>99,760</u>
Total liabilities and net position	<u>\$ 70,735</u>	<u>\$ 30,109</u>	<u>\$ 100,844</u>	<u>\$ -</u>	<u>\$ 100,844</u>
Statement of Net Cost					
Gross program costs	39,289	1,119	40,408	-	40,408
Less: Earned revenues	<u>23,257</u>	<u>-</u>	<u>23,257</u>	<u>-</u>	<u>23,257</u>
Net program costs	<u>16,032</u>	<u>1,119</u>	<u>17,151</u>	<u>-</u>	<u>17,151</u>
Net cost of operations	<u>\$ 16,032</u>	<u>\$ 1,119</u>	<u>\$ 17,151</u>	<u>\$ -</u>	<u>\$ 17,151</u>
Statement of Changes in Net Position					
Cumulative Results of Operations:					
Beginning balance	\$ 85,566	\$ 33,453	\$ 119,019	\$ -	\$ 119,019
Beginning balance, as adjusted	85,566	33,453	119,019	-	119,019
Non-exchange revenue	-	668	668	-	668
Transfers in/out without reimbursement	(8)	(521)	(529)	-	(529)
Donations and forfeitures of cash and property	-	2,374	2,374	-	2,374
Imputed Financing	322	-	322	-	322
Other	-	(4,943)	(4,943)	-	(4,943)
Net Cost of Operations	<u>(16,032)</u>	<u>(1,119)</u>	<u>(17,151)</u>	<u>-</u>	<u>(17,151)</u>
Net Change in Cumulative Results of Operations	<u>(15,718)</u>	<u>(3,541)</u>	<u>(19,259)</u>	<u>-</u>	<u>(19,259)</u>
Net Position end of period	<u>\$ 69,848</u>	<u>\$ 29,912</u>	<u>\$ 99,760</u>	<u>\$ -</u>	<u>\$ 99,760</u>

Note 14- 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 2023 actual budgetary execution information has not yet been published. The *Budget of the United States Government* is scheduled for publication in February 2024. Accordingly, information required for such disclosure is not available at the time of preparation of these financial statements. The budget with the actual amounts for the current year will be available at a later date [President's Budget | The White House](#).

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.

	2022			
	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 844	\$ 653	\$ (4)	\$ 403
Difference-Expired appropriations	(16)	(3)	-	-
Difference-Rounding	(1)	1	-	2
Adjusted Combined Statement of Budgetary Resources	<u>\$ 827</u>	<u>\$ 651</u>	<u>\$ (4)</u>	<u>\$ 405</u>
Budget of the U.S. Government	<u>\$ 827</u>	<u>\$ 651</u>	<u>\$ (4)</u>	<u>\$ 405</u>

Note 15 – Undelivered Orders at the End of the Period

(in thousands)	2023		2022	
	Fed	NonFed	Fed	NonFed
Paid Undelivered Orders	\$ 4,175	\$ -	\$ 1,760	\$ -
Unpaid Undelivered Orders	5,856	147,105	3,578	78,835
Total Undelivered Orders	<u>\$ 10,031</u>	<u>\$ 147,105</u>	<u>\$ 5,338</u>	<u>\$ 78,835</u>

Note 16 – 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).

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Reconciliation of Net Cost to Net Outlays for the year ended September 30, 2023

	Intra- governmental	Other than Intragovernmental	Total
Net Cost of Operations	\$ (24,000)	\$ 466,345	\$ 442,345
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation	-	(26,632)	(26,632)
Unrealized valuation loss/(gain) on investments in GSE's		(579)	(579)
Gains/Loses on all other investments	-	(2,120)	(2,120)
(Increase)/decrease in assets:			
Accounts receivable	2,107	49	2,156
Securities and Investments	2	289	291
Advances and Prepayments	2,415	-	2,415
Other	-	(54)	(54)
(Increase)/decrease in liabilities:			
Accounts payable	652	7,000	7,652
Federal employee benefits payable	-	2,099	2,099
Environmental and disposal liabilities	-	(209)	(209)
Advances from Others and Deferred Revenue		21	21
Other liabilities	5,026	(1,042)	3,984
Other financing sources:			
Other imputed finance	(30,453)	-	(30,453)
Total Components of Net Operating Cost Not Part of the Budget Outlays	<u>(20,251)</u>	<u>(21,178)</u>	<u>(41,429)</u>
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	4,989	16,830	21,819
Acquisition of inventory	10	625	635
Acquisition of other assets	-	10,939	10,939
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	<u>4,999</u>	<u>28,394</u>	<u>33,393</u>
Net Outlays (Calculated Total)	<u>\$ (39,252)</u>	<u>\$ 473,561</u>	<u>\$ 434,309</u>
Miscellaneous			
Distributed offsetting receipts (4200)	-	1,175	1,175
Custodial/Non-exchange Revenue	(359)	(18)	(377)
Appropriated Receipts for Trust/Special Funds	383	-	383
	<u>24</u>	<u>1,157</u>	<u>1,181</u>
Net Outlays calculated	<u>\$ (39,228)</u>	<u>\$ 474,718</u>	<u>\$ 435,490</u>
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR 4190)			434,315
Distributed offsetting receipts (SBR 4200)			1,175
Outlays, Net (SBR 4210)			\$ 435,490
			\$ -

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Reconciliation of Net Cost to Net Outlays for the year ended September 30, 2022:

	Intra-governmental	Other than Intragovernmental	Total
Net Cost of Operations	\$ (15,924)	\$ 465,412	\$ 449,488
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
General property, plant, and equipment depreciation	-	(28,889)	(28,889)
Unrealized valuation loss/(gain) on investments in GSE's		(380)	(380)
Gains/Loses on all other investments	-	(78)	(78)
(Increase)/decrease in assets:			
Accounts receivable	2,069	64	2,133
Securities and Investments	-	(23,428)	(23,428)
Other	1,760	(54)	1,706
(Increase)/decrease in liabilities:			
Accounts payable	(832)	(9,507)	(10,339)
Federal employee benefits payable	-	3,253	3,253
Environmental and disposal liabilities	-	(384)	(384)
Other liabilities	(3,006)	7,820	4,814
Other financing sources:			
Other imputed finance	(22,686)	-	(22,686)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(22,695)	(51,583)	(74,278)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	843	14,057	14,900
Acquisition of inventory	-	215	215
Acquisition of other assets	-	6,902	6,902
Transfers out (in) without reimbursement	(14)	-	(14)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	829	21,174	22,003
Net Outlays (Calculated Total)	\$ (37,790)	\$ 435,003	\$ 397,213
Miscellaneous			
Distributed offsetting receipts (4200)	-	(4,022)	(4,022)
Custodial/Non-exchange Revenue	(41)	(17)	(58)
Appropriated Receipts for Trust/Special Funds	65	-	65
	24	(4,039)	(4,015)
Net Outlays calculated	\$ (37,766)	\$ 430,964	\$ 393,198
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR 4190)			402,811
Distributed offsetting receipts (SBR 4200)			(4,022)
Outlays, Net (SBR 4210)			\$ 398,789
TMF Loan Apportionment			\$ 5,591

Note 17 – Public-Private Partnerships

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. The original agreements established endowments for the George H.W. Bush, William J. Clinton and George W. Bush Presidential Libraries. NARA and the George W. Bush Foundation reached a final agreement to officially transfer the Museum and the volunteer program to the Foundation on January 1, 2023. Therefore a Congressional Return of funds to the George W. Bush Foundation for 46.39% of the original endowment was approved in the amount of \$4,529,130.85.

Presidential Libraries	Established Endowments	Endowments as of 09/30/2023
George H.W. Bush	4,477,233	4,301,474
William J. Clinton	7,200,000	6,656,481
George W. Bush	9,763,162	3,574,978

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.

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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	4/24/2022, effective date 1/1/2023	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 2023 Beginning Balance	FY 2023 Ending Balance
Heritage assets	\$68 million	\$106 million
General PP&E (Multi-use)	\$200 million	\$199 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 2022, current BCR reports identified necessary maintenance projects for seventeen locations, including thirteen Presidential Libraries. The significant increase to deferred maintenance estimates in FY 2023 is the result of the latest BCRs for the George W. Bush, William J. Clinton and Lyndon B. Johnson Presidential Libraries.

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 related to the safety or the protection of valuable materials, modifications to provide safety and public accessibility to the facility, and electrical upgrades to prevent the 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 estimates also include the deferred costs to address deficiencies in compliance with storage standards.

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Schedule of Budgetary Resources by Major Budget Accounts

For the year ended September 30, 2023

	Archives and Records Management		Archives Facilities and Presidential Records Center Libraries, Repairs and Storage and Restorations				Records Center and Storage Services		Total
	Activities	Gift Fund	Trust Fund	NHPRC Grants	and Restorations				
Budgetary Resources									
Unobligated balance brought forward, Oct 1	\$ 50,530	\$ 7,408	\$ 3,337	\$ 1,244	\$ 67,046	\$ 65,983	\$ 195,548		
Appropriations (discretionary and mandatory)	433,501	3,729	-	34,573	22,224	-	494,027		
Spending authority from offsetting collections	1,462	-	19,075	-	-	244,103	264,640		
Total Budgetary Resources	\$ 485,493	\$ 11,137	\$ 22,412	\$ 35,817	\$ 89,270	\$ 310,086	\$ 954,215		
STATUS OF BUDGETARY RESOURCES:									
New Obligations and Upward Adjustments (total)	\$ 438,712	\$ 2,438	\$ 19,289	\$ 32,612	\$ 12,920	\$ 251,454	\$ 757,425		
Unobligated balance, end of year:									
Apportioned, Unexpired Accounts	36,433	8,696	-	2,747	76,348	42,393	166,617		
Exempt from apportionment	-	-	3,123	-	-	-	3,123		
Unapportioned	1,553	3	-	395	2	13,830	15,783		
Unexpired unobligated balance, end of year	\$ 37,986	\$ 8,699	\$ 3,123	\$ 3,142	\$ 76,350	\$ 56,223	\$ 185,523		
Expired unobligated balance, end of year	8,795	-	-	63	-	2,409	11,267		
Unobligated balance, end of year (total)	46,781	8,699	3,123	3,205	76,350	58,632	196,790		
Total Budgetary Resources	\$ 485,493	\$ 11,137	\$ 22,412	\$ 35,817	\$ 89,270	\$ 310,086	\$ 954,215		
Outlays, net (discretionary and mandatory)	\$ 407,215	\$ 2,619	\$ (473)	\$ 8,708	\$ 9,881	\$ 6,365	\$ 434,315		
Distributed offsetting receipts		1,175	-	-	-	-	1,175		
Agency Outlays, net (discretionary and mandatory)	\$ 407,215	\$ 3,794	\$ (473)	\$ 8,708	\$ 9,881	\$ 6,365	\$ 435,490		

National Archives and Records Administration
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Schedule of Budgetary Resources by Major Budget Accounts

For the year ended September 30, 2022

	Archives and Records Management		Trust Fund	NHPRC Grants	Archives Facilities and Presidential Libraries, Records Center and Storage		Total
	Activities	Gift Fund			Repairs and Restorations	Services	
Budgetary Resources							
Unobligated balance brought forward, Oct 1	\$ 55,763	\$ 5,856	\$ 4,274	\$ 1,857	\$ 4,981	\$ 61,874	\$ 134,605
Appropriations (discretionary and mandatory)	393,278	4,080	-	12,265	71,000	-	480,623
Spending authority from offsetting collections	1,312	-	14,808	-	-	212,488	228,608
Total Budgetary Resources	\$ 450,353	\$ 9,936	\$ 19,082	\$ 14,122	\$ 75,981	\$ 274,362	\$ 843,836
STATUS OF BUDGETARY RESOURCES:							
Obligations Incurred	\$ 397,976	\$ 2,532	\$ 16,623	\$ 13,273	\$ 8,937	\$ 213,535	\$ 652,876
Unobligated balance, end of year:							
Apportioned	39,132	7,381	-	328	66,994	38,102	151,937
Exempt from apportionment	-	-	2,459	-	-	-	2,459
Unapportioned	16	23	-	521	50	22,725	23,335
Unexpired unobligated balance, end of year	\$ 39,148	\$ 7,404	\$ 2,459	\$ 849	\$ 67,044	\$ 60,827	\$ 177,731
Expired unobligated balance, end of year	13,229	-	-	-	-	-	13,229
Unobligated balance, end of year (total)	\$ 52,377	\$ 7,404	\$ 2,459	\$ 849	\$ 67,044	\$ 60,827	\$ 190,960
Total Budgetary Resources	\$ 450,353	\$ 9,936	\$ 19,082	\$ 14,122	\$ 75,981	\$ 274,362	\$ 843,836
Outlays, net (discretionary and mandatory)	\$ 388,145	\$ 2,599	\$ (1,552)	\$ 5,970	\$ 9,773	\$ (2,124)	\$ 402,811
Distributed offsetting receipts	-	(4,022)	-	-	-	-	(4,022)
Agency Outlays, net (discretionary and mandatory)	\$ 388,145	\$ (1,423)	\$ (1,552)	\$ 5,970	\$ 9,773	\$ (2,124)	\$ 398,789

Land

NARA's land holdings are for operational purposes related to Archival Facilities including the National Archives in Washington, DC, National Archives at College Park, MD and the National Archives at Atlanta to protect and provide public access to millions of records and Presidential Libraries and Museum buildings which house papers, records, and other historical materials relating to all Presidents from Herbert Hoover on, their families, and their administrations. Not strictly libraries, these institutions combine museum exhibits and educational programs with original records open for research. NARA has one temporary land right lease with Potomac Electric Power Company for a parking lot adjacent to the National Archives building in College Park, MD (4 acres).

	Estimated Acreage by Predominant Use					Total Estimated Acreage
	Stewardship Land	PP&E Land	Commercial Use	Conservation & Preservation	Operational	
Start of Current Year	0	160	0	0	160	160
Held for Disposal or Exchange	0	0	0	0	0	0
End of Current Year	0	160	0	0	160	160


Independent Auditor's Report



Inspector General

November 15, 2023

TO: Dr. Colleen Shogan
Archivist of the United States

FROM: Dr. Brett M. Baker 
Inspector General

SUBJECT: *Audit of NARA's Fiscal Year 2023 Consolidated Financial Statements*
OIG Report No. 24-AUD-02

The Office of Inspector General (OIG) contracted with CliftonLarsonAllen, LLP (CLA) to conduct an independent audit on the financial statements of the National Archives and Records Administration (NARA) as of and for the fiscal years ended September 30, 2023 and 2022. 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 auditors report dated November 13, 2023 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.

Results of the Independent Audit

CLA issued an unmodified opinion on NARA's fiscal years 2023 and 2022 financial statements. CLA found:

- NARA's financial statements as of and for the fiscal years September 30, 2023 and 2022 are presented fairly, in all material respects, in accordance with United States Generally Accepted Accounting Principles;
- No material weaknesses, but one significant deficiency for FY 2023 internal controls over financial reporting based on limited procedures performed; and
- No reportable instances of noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts and grant agreements tested, and no other matters.

The report contains ten recommendations to improve NARA's internal controls over financial reporting related to the significant deficiency in information technology controls. Management concurred with all of the recommendations. Based on your November 8, 2023 response to the formal 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 with any questions.

Attachment

cc: Debra Steidel Wall, Deputy Archivist of the United States
Tasha Ford, Executive Secretariat
Gary M. Stern, General Counsel
Micah Cheatham, Chief of Management and Administration
William Bosanko, Chief Operating Officer
Meghan Guthorn, Deputy Chief Operating Officer
Colleen Murphy, Chief Financial Officer and Senior Accountable Official
Sheena Burrell, Chief Information Officer
Nicole Willis, Deputy Chief Information Officer
Kimm Richards, Accountability
Carol Seubert, Senior Financial Auditor
United States Senate Homeland Security and Governmental Affairs Committee
United States House of Representatives Committee on Oversight and Reform



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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) 2023 and 2022 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, 2023, and 2022, 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 2023 internal control over financial reporting based on the limited procedures we performed; and
- No reportable noncompliance for FY 2023 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 in the Agency Financial Report (AFR); (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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of NARA, which comprise the balance sheets as of September 30, 2023, and 2022; 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.

In our opinion, the National Archives and Records Administration's financial statements referred to above present fairly, in all material respects, NARA's financial position as of September 30, 2023, and 2022, 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.

¹ The RSI consists of Management's Discussion and Analysis (MD&A), Deferred Maintenance and Repairs, and the Statement 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.

Basis for Opinion

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. 24-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 24-01) guidance. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NARA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 the AFR, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements conducted in accordance with *Government Auditing Standards* will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit 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 NARA's internal control over financial reporting. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the financial statement audit.

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. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*. These procedures consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audits 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. NARA's management is responsible for the other information included in the AFR. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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 responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, 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 were not identified. Given these limitations, during our FY 2023 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control over financial reporting that 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that even if the control operates as designed the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. 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 2023 audit, we identified 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.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to NARA's internal control over financial reporting in accordance with *Government Auditing Standards* and OMB guidance.

Responsibilities of Management for Internal Control over Financial Reporting

NARA's management is responsible for (1) designing, implementing, and maintaining effective internal control over financial reporting 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' Responsibilities for the Consideration of Internal Control over Financial Reporting

In planning and performing our audit of NARA's financial statements as of and for the FY ended September 30, 2023, in accordance with *Government Auditing Standards*, we considered NARA's internal control relevant to the financial statement audit 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 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 internal control over financial reporting 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.

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.

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 2023 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, and other matters applicable to NARA. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with *Government Auditing Standards*.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts and Grant Agreements and Other Matters

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

Auditors' Responsibilities for Tests for Compliance with Laws, Regulations, Contracts and Grant Agreements and Other Matters

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

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 and other matters 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 findings and recommendations included in the prior year's Independent Auditors' Report, dated November 10, 2022. The status of prior year recommendations is presented in Exhibit C.

NARA's Response to Audit Findings and Recommendations

Government Auditing Standards requires the auditor to perform limited procedures on NARA's response to the findings and recommendations identified in our report and 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 the response.

CliftonLarsonAllen LLP



Greenbelt, MD
November 13, 2023

EXHIBIT A
Significant Deficiency
FY 2023

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 access controls and configuration management. These 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, system access request procedures, multi factor user authentication, and identity and access management policy or strategy, remained unresolved. Additional access controls should be established to ensure user accounts are more effectively managed.

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 2022 or earlier, still exist. In addition, we found prior year unresolved weaknesses related to migration of applications to vendor supported operating systems. The IT control deficiencies resulted from an ineffective patch and vulnerability management program, as well as inadequate oversight by NARA management. 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.

Our testing was based on the following key criteria:

National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 5, *Security and Privacy Controls for Information Systems and Organizations* (includes updates as of December 10, 2020):

- AC-2 Account Management
Creates, enables, modifies, disables, and removes accounts in accordance with [Assignment: organization-defined policy, procedures, prerequisites, and criteria].
- SI-2 Flaw Remediation
 - a. Identify, report, and correct system flaws;
 - b. Test software and firmware updates related to flaw remediation for effectiveness and potential side effects before installation;

EXHIBIT A
Significant Deficiency
FY 2023

- c. Install security-relevant software and firmware updates within [Assignment: organization – defined time period] of the release of the updates; and
 - d. Incorporate flaw remediation into the organizational configuration management process.
- SA-22 Unsupported System Components
Replaces system components when support for the components is no longer available from the developer, vendor, or manufacturer.
 - CM-6 Configuration Settings
Establish, document, and implement configuration settings for components employed within the system that reflects the most restrictive mode consistent with operational requirements using [Assignment: organization-defined common secure configurations]. Identify, document, and approve any deviations from established configuration settings for [Assignment: organization-defined system components] based on [Assignment: organization-defined operational requirements]; and monitor and control changes to the configuration settings in accordance with organizational policies and procedures.

Office of Management and Budget (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.

The identified 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 the following eight repeat and two new recommendations:

1. Ensure NARANet user accounts are reviewed and disabled in accordance with NARA's information technology policies and requirements. (Prior 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. (Prior Recommendation)

EXHIBIT A
Significant Deficiency
FY 2023

3. Enforce mandatory Personal Identity Verification (PIV) card authentication for all NARANet users, in accordance with OMB requirements. (Prior Recommendation)
4. Continue and complete efforts to require PIV authentication for all privileged users, servers, and applications, through NARA's identity and access management project and other efforts. (Prior Recommendation)
5. 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. (Prior Recommendation)
6. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks. (Prior Recommendation)
7. 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. (Prior Recommendation)
8. Fully complete the migration of applications to vendor supported operating systems. (Prior Recommendation)
9. Ensure the Information System Security Officers are reviewing system configuration compliance scans monthly as required within NARA's *Configuration Compliance Standard Operating Procedure*. (New Recommendation)
10. Enhance current procedures to ensure that new NARA users who do not complete their initial security awareness training, have their accounts automatically disabled in accordance with timeframes promulgated within the Privacy and Awareness Handbook. (New Recommendation)

EXHIBIT B
NARA's Response to our Findings and Recommendations
FY 2023




Date: November 8, 2023
To: Dr. Brett M. Baker
Inspector General
From: Dr. Colleen J. Shogan
Archivist of the United States
Subject: Management Response to the FY2023 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, 2023.

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.


DR. COLLEEN J. SHOGAN
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 2022 Recommendation</i>	<i>Type</i>	<i>FY 2023 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 2023 Significant Deficiency, recommendation "A.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 2023 Significant Deficiency, recommendation "A.2."
3. Ensure system access requests are completed and retained for the duration of a users' system access.	SD	Closed
4. Ensure account reviews are completed in accordance with Access Control IT Methodology requirements.	SD	Closed
5. Enforce mandatory Personal Identity Verification (PIV) card authentication for all NARANet users, in accordance with OMB requirements.	SD	Open; see 2023 Significant Deficiency, recommendation "A.3."
6. 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).	SD	Closed
7. 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.	SD	Closed
8. Continue and complete efforts to require PIV authentication for all privileged users, servers, and applications, through NARA's identity and access management project and other efforts.	SD	Open; see 2023 Significant Deficiency, recommendation "A.4."
9. 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.	SD	Open; see 2023 Significant Deficiency, recommendation "A.5."

EXHIBIT C
Status of Prior Year Recommendations

<i>FY 2022 Recommendation</i>	<i>Type</i>	<i>FY 2023 Status</i>
10. 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.	SD	Closed
11. 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.	SD	Closed
12. 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	SD	Closed
13. 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.	SD	Closed
14. Document and implement a process to track and remediate persistent configuration vulnerabilities, or document acceptance of the associated risks.	SD	Open; see 2023 Significant Deficiency, recommendation "A.6."
15. 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 2023 Significant Deficiency, recommendation "A.7."
16. Fully complete the migration of applications to vendor supported operating systems.	SD	Open; see 2023 Significant Deficiency, recommendation "A.8."
17. 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.	SD	Closed

EXHIBIT C
Status of Prior Year Recommendations

<i>FY 2022 Recommendation</i>	<i>Type</i>	<i>FY 2023 Status</i>
18. 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.	SD	Closed
19. 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	Closed
20. 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.	SD	Closed

We recommend that NARA management implement the following recommendations:

21. The Chief Financial Officer update the travel policy and continue efforts to ensure that all written policies and procedures are reviewed and revised timely.	Management Letter Comment (MLC)	Open; reclassified from SD in FY 2020 to MLC in FY 2021
22. 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	Closed; reclassified from SD in FY 2020 to MLC in FY 2021
23. 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

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 2023. NARA management stated that a draft letter was submitted to OMB in FY 2020, but NARA is still awaiting OMB's approval for NARA to finalize and issue the letter.

OIG Hotline

The OIG Hotline provides a confidential channel for reporting fraud, waste, abuse, and mismanagement to the OIG. In addition to receiving telephone calls at a toll-free Hotline number and letters to the Hotline post office box, we also accept emails through an online referral form. Walk-ins are always welcome. Visit www.archives.gov/oig/ for more information, or contact us:

By telephone

Washington, DC, Metro area: 301- 837-3500
Toll-free: 800-786-2551

By facsimile

301-837-3197

By online referral form

www.archives.gov/oig/referral-form/index.html

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 Reduction Report.

Inspector General's Top Management Challenges



NATIONAL ARCHIVES OFFICE of INSPECTOR GENERAL

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 (NPRC)

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 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 2023, NARA again identified controls over IT security as 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. Electronic Records Archives (ERA)

ERA has become a "system of systems," and the original ERA Base System was not capable of meeting the nation's needs. Thus, NARA is developing ERA 2.0, with an estimated lifecycle cost of \$94 million. However, until ERA 2.0's functionality is built and put into full production, the current ERA's longstanding deficiencies may continue to impact NARA. Further, the vast volumes of electronic records that need to be preserved are 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 making them available to the public.

4. Transition to Electronic Records

NARA must work with Federal agencies to ensure proper appraisal, scheduling, and transfer of permanent records in all formats. To a large extent, NARA also ensures that proper records are, in fact, preserved government-wide and sent to NARA in the first place. However, 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 unknown whether the systems in place will be able to ingest, process, preserve, store, and provide access to this information.

5. Expanding Public Access to Records

Ten percent 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.

6. Human Capital Management

NARA began identifying human capital practices as a material weakness in FY 2018 as the result of OIG Audit No. 18-AUD-09, which found numerous internal control issues within NARA's Office of Human Capital. In FY 2023, NARA reported Human Capital as a reportable condition. NARA has stated internal controls over the program area are improving. Still, collaboration between NARA and its shared service provider continues to be needed to ensure human resource data is correct for all current and former employees.

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	0	0	0	0	0	0
Total Material Weaknesses	1	0	0	0	0	1

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 Payment Integrity 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 May 19, 2023, section II.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 2023, NARA reviewed their program outlays and improper payment amounts and conducted risk assessments for the following programs: Administrative Overhead, Legislative Archives, Presidential Libraries, and Museum Services, Research Services, Agency Services, Repairs and Restoration, National Historical Publications and Records Commission (NHPRC) 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 2023 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 2023 totaled \$259,998.64.

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 2023.

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.