

**Prepared Statement of the Inspector General of
The National Archives and Records Administration
Before the House Subcommittee on Government Efficiency, Financial
Management and Intergovernmental Relations
of the
Committee on Government Reform**

Washington, D.C.

May 14, 2002

Accountability of Tax Dollars Act of 2002

Introduction

Good afternoon, I am Paul Brachfeld, the Inspector General of the National Archives and Records Administration (NARA) and I thank you for the opportunity to testify¹ before this distinguished Subcommittee. I must first apologize for not having presented a written statement prior to my testimony as I was just called upon yesterday to join this distinguished panel.

However, I am pleased to be here to lend my support to this proposed legislation. I speak as the Inspector General of the National Archives and Records Administration and in my former capacity of Assistant Inspector General for Audits at both the Federal Communications Commission and at the Federal Elections Commission.

¹ This written statement, my oral presentation and any responses to questions I might provide reflect my views and do not necessarily reflect the views of NARA, nor any other Inspector General in the PCIE/ECIE community.

In Fiscal Year (FY) 2002 NARA was appropriated an annual budget of approximately \$289 million and 2,794 Full-time Equivalent positions or FTEs. The \$289 million included appropriations for operations, repairs and restorations of facilities, and grants. NARA operations are spread throughout 37 facilities nationwide to include archives and records services facilities and Presidential libraries. NARA also publishes the Federal Register, administers the Information Security Oversight Office, and makes grants for historical documentation through the National Historical Publications and Records Commission (NHPRC).

In addition to our annual appropriation, Public Law 106-58 established the Records Centers Revolving Fund on September 29, 1999. The enabling legislation authorized NARA to charge customers for records storage and services. Income from these operations in FY 2002 is estimated to be approximately \$107 million dollars. NARA also maintains a Gift Fund with estimated FY 2002 availability of approximately \$9.2 million and a Trust Fund with estimated FY 2002 Operating Income of approximately \$15.9 million dollars.

Current Status of Financial Audit Activity

I am pleased to report that in the two years that I have served as the IG at NARA, the components of the agency which are subject to financial audit have received clean or unqualified opinions. These audits of the Revolving Fund, and Gift and Trust Funds were performed under the control and direction of the OIG. While no material weaknesses were detected, the Independent Professional Accounting firm or IPA, did identify opportunities to strengthen financial accounting practices and procedures and enhance internal controls most notably as related to information technology controls and continuity of operations.

Currently, NARA does not perform a financial statement audit over our appropriated funds. The OIG does not have any funding or resources to oversee or perform this work. As you know the GAO transmitted a survey to my agency dated September 28, 2001 focusing upon whether financial statement audit requirements should be expanded to certain agencies including NARA. Question 54 of that survey was "why has your agency chosen not to have its financial statements audited?" In response, the NARA

Director, Financial Services Division checked all four boxes provided. They were as follows:

- Not statutorily required
- Insufficient funding
- Insufficient financial management staff
- Insufficient expertise in preparing financial statements

I think that "choice" should be removed from this equation and that the OIG should be provided the necessary staffing and resources to perform this work.

Audit Cost and Resources Required

At NARA, the proposed price for this first option year of a multi-year contract with an IPA to provide financial statement auditing services to the Revolving Fund and Trust and Gift Funds is approximately \$260,000. The OIG does not have any dedicated financial auditors on staff to administer the contract and performance, thus this collateral part-time duty is shared by

myself, the Assistant Inspector General for Audits and an Information Technology auditor. I do not consider this to be an optimal staffing solution.

Financial accountability and stewardship over taxpayer funds is too important a matter to compromise due to a lack of enabling resources. I believe that this office should have the necessary resources to accomplish our mission and that defined by Congress in PL 100-504, the Inspector General Act Amendments. Thus, should this legislation be ratified there is a critical need to provide funding and resources to support the intent of Congress. I continue to face a critical shortage in resources and in this semiannual reporting period I have continued to alert Congress to this situation. I firmly support the adoption of this legislation but am well aware that without funding and more importantly auditors on staff with financial statement auditing expertise, the task of performing this work will be daunting.

Why Should Financial Audits be Performed?

Over a decade ago, when I served as the Assistant Inspector General for Audits at the FCC, I met with the Chairman to brief him on the results of a limited financial statement audit of selected accounts on the Balance Sheet that I had single handedly performed. The balance sheet line items included accounts receivables, accounts payable, and property, plant and equipment. In this audit constrained by a lack of staff and resources (I was the only auditor on staff at that time) I identified significant deficiencies. When I met with the former Chairman and attempted to explain my findings he confessed that he could not follow my presentation. Thus I simplified them by asking him whether he would invest in a company that couldn't track receivables and payables, and didn't place a valuation on their property, plant and equipment. He laughed and said "of course not" at which point I congratulated him for being the CEO of that company.

Since that meeting held in I believe 1991, the FCC has moved quite a distance as OIG auditors with the support of the CFO are now performing full financial statement audits and have received unqualified or clean opinions. However, this progress may not be shared by all agencies. I

believe that we owe it to the taxpayers to demonstrate proper stewardship over our assets and account for how we budget and spend our money. We owe it to them to guarantee that we in the public sector are using timely, reliable, and comprehensive financial information when making decisions which impact upon them and the welfare of their loved ones. It is not logical to me that certain Federal agencies are required to perform annual financial statement audits while others are excluded from these requirements. I believe that sound financial auditing practices as required by the CFO Act, can and do provide tangible benefits to our customers and should be extended to a broader range of agencies as called for in this proposed legislation.

Mr. Chairman, this concludes my remarks. I would be happy to answer any questions you or any member of the Subcommittee may have about my office's experience related to financial and related matters.

