



NCUA
National Credit Union Administration

**OFFICE OF INSPECTOR
GENERAL**

**AUDIT OF THE NCUA'S COMPREHENSIVE
RECORDS MANAGEMENT PROCESS**

Report #OIG-18-05

March 14, 2018





National Credit Union Administration

Office of Inspector General

SENT BY EMAIL

TO: Distribution List

FROM: Inspector General James W. Hage

A handwritten signature in black ink, appearing to read "James W. Hage".

SUBJ: Audit of NCUA's Comprehensive records management Process

DATE: March 14, 2018

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this self-initiated audit to assess NCUA's records management process. The objectives of our audit were to determine: 1) whether the NCUA has a comprehensive records management framework, retention, and disposal system in place; and 2) whether the NCUA is in compliance with applicable records management policies, procedures, laws and regulations.

Results of our audit determined that the NCUA lacks a comprehensive records management program and needs to implement the steps that will correct the areas of weakness. In addition, we found that the depth and scope of the issues we identified are due in large part to management not making records management a priority due to competing priorities. We concluded the NCUA does not have a comprehensive records management framework, retention, and disposal system in place. We also concluded that those charged with governance over records management for the agency did not consistently follow applicable laws, regulations, and guidance to ensure the NCUA had a comprehensive records management program in place.

This report makes five recommendations to NCUA management that we believe will help those with the authority to manage records for NCUA improve the records management program. NCUA management agreed to all recommendations and provided corrective actions taken and planned.

We appreciate the effort, assistance, and cooperation NCUA management and staff provided to us during this audit.

Distribution:

Chairman J. Mark McWatters
Board Member Rick Metsger
Executive Director Mark Treichel
General Counsel Michael McKenna
PACA Director Mary Anne Bradfield
Deputy Executive Director John Kutchey
Chief Information Officer Ed Dorris

Attachment

TABLE OF CONTENTS

Section	Page
EXECUTIVE SUMMARY	1
BACKGROUND	4
RESULTS IN DETAIL.....	8
NCUA Lacks a Records Management Policy and Program	8
Communication Issues at All Levels	10
Recommendation 1	14
Improvements Needed for Training.....	14
Recommendation 2, 3	16
Record Retention Schedules Not Timely Updated	16
Improvement Needed Over Managing Records	18
Recommendation 4	20
Recommendation 5	21
APPENDICES:	
A. Objectives, Scope, and Methodology.....	23
B. NCUA Management Response	25
C. Acronyms and Abbreviations.....	27



EXECUTIVE SUMMARY

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) conducted this self-initiated audit to assess the NCUA's comprehensive records management process. The objectives of our audit were to determine: 1) whether the NCUA has a comprehensive records management framework, retention, and disposal system in place; and 2) whether the NCUA is in compliance with applicable records management policies, procedures, laws, and regulations.

Results of our audit determined that the NCUA lacks a comprehensive records management program and needs to implement the steps that will correct the areas of weakness. In addition, we found that the depth and scope of the issues we identified are due in large part to management not making records management a priority due to competing priorities. We concluded the NCUA does not have a comprehensive records management framework, retention, and disposal system in place. We also concluded that those charged with governance over records management for the agency did not consistently follow applicable laws, regulations, and guidance to ensure the NCUA had a comprehensive records management program in place.

Specifically, we found:

1. The NCUA lacked records management policies and procedures during the scope period of our audit (2012 – 2016). Specifically, management did not follow federal law by establishing policies and procedures to govern an agency-wide records management program. However, management issued a records management policy on January 31, 2018, as a foundation for a records management program moving forward.
2. Many instances where more or better communication could have facilitated NCUA's records management. Specifically, we found that management did not update the NCUA Board on specifics related to records management, offices did not effectively communicate about records management with each other, and management did not give comprehensive guidance to staff on how to handle office or personal records in the conduct of their day-to-day duties.
3. During the scope period of our audit, management did not provide training to staff for records management, as required by National Archives and Records Administration (NARA) regulations and NARA and Office of Management and Budget (OMB) circulars. Training for NCUA personnel regarding their records management responsibilities did not begin until June of 2017.
4. Management did not timely assess and update record retention schedules, as needed. Specifically, management did not ensure that the offices had periodically assessed and updated, as needed, their records schedules.



5. Based on the NCUA's plan, management believes the agency will meet the NARA/OMB 2019 requirement to manage all permanent records electronically by the end of 2019. However, we determined NCUA will not have a single dedicated system established to manage electronic records until 2021. Although the NCUA met NARA/OMB's 2016 requirement to retain emails electronically, we determined current information technology (IT) solutions do not allow for emails to be easily searched, identified, or retained.

As a result, we are making five recommendations that we believe will help the NCUA implement a comprehensive records management program.

NCUA management contracted with NARA in 2016 to assess the NCUA's current records management environment and to identify records and apply appropriate disposition in accordance with approved records schedules for the NCUA. NARA's assessment concluded in October 2016 and provided the NCUA with information and recommendations to improve records management. We acknowledge that management has already taken significant steps to address the findings and recommendations in this report; however, we did not assess management's actions because they occurred outside the scope period of our audit. In March 2017, NCUA management established a team of employees from across the agency and led by the Office of General Counsel (OGC), to implement improvements to the records management program. Prior to the transition to OGC, records management was the responsibility of the Office of the Chief Information Officer (OCIO).

Management provided us with the following accomplishments the records management team achieved, which occurred outside the scope period of our audit:

- Establishment in January 2018 of an office specifically focused on records management for the agency, including a newly authorized senior executive position to lead the operation, two new attorneys to be responsible for the agency's privacy program and seven new authorized staff positions to implement the program.
- Establishment in early 2017 of a records liaison for each office and the new records management team, which has yielded approved records file plans for nearly every NCUA office improved communication and training for all staff on records management responsibilities and provided ongoing guidance through a records management intranet website.
- Updated all records retention schedules to mirror current operation status including the collaborative effort with NARA to establish records management schedules for the NCUA's Asset Management Assistance Center (AMAC).
- Established a privacy policy and records management policy to guide staff compliance efforts.



- Reduced hard copy records at AMAC by properly migrating the substantial number of documents to the approved offsite records management service facility. This effort allowed the NCUA to eliminate the leased storage facility.
- Strengthened the agency's records management posture in priority areas across the agency including AMAC. This includes implementing controls and processes for record intake and management, increasing the use of readily available technology for managing and storing records electronically to reduce the need to create or maintain physical records, and enhancing security of electronic records and created a secure electronic media room for electronic record assets acquired during liquidations.

We appreciate the cooperation and courtesies NCUA management and staff provided to us during this audit.



BACKGROUND

The NCUA is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. The NCUA's organizational structure consists of a Central Office, AMAC, and five regional offices. Although the NCUA does not receive annual appropriated funding from Congress to carry out the agency's operations, the NCUA's operating fund contains the attributes of a revolving fund,¹ which is a permanent appropriation. The NCUA is authorized to collect annual operating fees, define the purpose for which these collections may be used, and use the collections without fiscal year limitation.

The Federal Records Act of 1950 (Federal Records Act), defines records management as the planning, controlling, directing, organizing, training, promoting, and other managerial activities involved with respect to records creation, maintenance and use, and disposition, in order to achieve adequate and proper documentation of the policies and transactions of the federal government.² Under the Federal Records Act, agency records that are required to be preserved and disposed of appropriately include all documentary materials, regardless of physical form or characteristics, made or received by an agency under federal law or in connection with the transaction of public business, and preserved or appropriate for preservation by that agency or its legitimate successor as evidence of the organization, functions, policies, decisions, procedures, operations, or other activities of the United States Government or because of the informational value of data in them. Records do not include extra copies of documents preserved only for convenience of reference or stocks of publications or documents.³

Records Management Lifecycle

Records management lifecycle describes the lifespan of a record, from its creation or receipt to its final disposition. According to NARA, the lifecycle has three stages:

- Creation and receipt of a record – The creation phase is when a person or organization in the federal government produces or receives a record.
- Maintenance and use of a record – During the maintenance and use phase, a record is organized and stored with similar material.
- Disposition of a record - This phase includes the evaluation of a record, determining how long it should be kept, and whether or not it should be destroyed or archived.

¹A revolving fund amounts to "a permanent authorization for a program to be financed, in whole or in part, through the use of its collections to carry out future operations." Revolving Funds: Full Disclosure Needed for Better Congressional Control, PAD-77-25 at 47 (GAO, Aug. 30, 1977).

² 44 U.S.C. § 2901.

³ 44 U.S.C. § 3301.



File Plans and Records Schedules

File plans and records schedules are tools agencies use for maintaining and using records. A file plan is a comprehensive outline of an office's records that includes a records inventory, the office's functions, types of records obtained or created for these respective functions, the records systems and types of media storage used, the applicable records schedules (including the records retention period and the disposition instructions), and other instructions that provide guidance for effective management of records.

Records schedules are mandatory instructions on how long to keep records (retention) and when they can be destroyed and/or transferred to alternate storage facilities (disposition). Records schedules identify which records are temporary (and therefore will be eligible for destruction after a specific period), and which records are permanent (and therefore will need to be transferred to NARA after a specific period).

The NCUA has two types of records schedules:

- NCUA-specific records schedules, which cover records that are unique to the NCUA, such as credit union chartering documents and Board minutes, and other records that are not covered by General Records Schedules (GRS) (such as litigation files and Office of Inspector General records). NCUA-specific schedules must be submitted to NARA for approval prior to use.
- The GRS, which are issued by NARA, are applicable government-wide and are for records common to several or all agencies (such as personnel records and payroll records).

The NCUA's Comprehensive Records Schedule contains all of the agency's current records schedules, and all of the GRS applicable to the NCUA.

Presidential Memorandum: Managing Government Records

In November 2011, the President signed Presidential Memorandum: *Managing Government Records*. This memorandum marked the beginning of an Executive Branch-wide effort to reform records management policies and practices. The expected benefits mentioned in the memorandum include:

- improved performance and promotion of openness and accountability by better documenting agency actions and decisions;
- further identification and transfer to NARA of the permanently valuable historical records through which future generations will understand and learn from our actions and decisions; and



- assistance to executive departments and agencies in minimizing costs and operating more efficiently.

NARA Directive M-12-18

In August 2012, OMB and NARA jointly issued M-12-18, *Managing Government Records Directive* (Directive), which focused on the implementation of the Presidential Memorandum, *Managing Government Records*. The Directive created a robust records management framework in compliance with statutes and regulations to achieve the benefits outlined in the Presidential Memorandum. The Directive stated records are the foundation of open government, supporting the principles of transparency, participation, and collaboration; noting that well-managed records can be used to assess the impact of programs, improve business processes, and share knowledge across the government. The Directive also indicated that records protect the rights and interests of people, hold officials accountable for their actions, and permanently document our nation's history.

The Directive defined the following positions for records management:

- Senior Agency Official (SAO) is responsible for coordinating with the agency Records Officer and appropriate agency officials to ensure the agency's compliance with records management statutes and regulations. The SAO is a senior official who has direct responsibility for ensuring that the department or agency efficiently and appropriately complies with all applicable records management statutes, regulations, and NARA policy, and the requirements of this Directive. The SAO must be located within the organization to make adjustments to agency practices, personnel, and funding as may be necessary to ensure compliance and support the business needs of the department or agency.
- Records Officer is responsible for the day-to-day management and implementation of the records management program, including developing policy and guidance, training, and otherwise facilitating the creation, maintenance and use, and disposition of NCUA records in accordance with the laws, regulations, NARA guidance, NCUA policies and procedures, and NCUA's Comprehensive Records Schedule. The Records Officer also serves as NCUA's liaison with NARA on matters pertaining to records management policy, including designation of permanent records, development of records schedules, and policies regarding document disposition.

NARA Reports

NARA requires agencies to self-report annually on their records management activities. The NCUA participates in filing these reports to assist NAA in its role overseeing and reporting to



Congress on the state of federal records management.⁴ These reports include the Records Management Self-Assessment report, the SAO for records management report, and the Federal Email Management report.

Agency Records Officers have been required to submit a Records Management Self-Assessment report to NARA, which evaluates their agency's compliance with federal records, management statutes, regulations, and program functions. This assessment contains a series of questions that are weighted. The SAO for Records Management report to NARA reports on agency progress in meeting the Directive as well as on other significant initiatives as defined by NARA. The Federal Email Management report to NARA is completed by Agency Records Officers and assesses agency email management using a maturity model template based on criteria published by NARA.

Presidential and Federal Records Act Amendments of 2014

In November 2014, the President signed into law the Presidential and Federal Records Act Amendments of 2014. This act, which followed the 2011 President's Memorandum on Managing Government Records, modernized the Federal Records Act by expanding the definition of federal records to clearly include electronic records. The act also granted the Archivist of the United States the final determination as to what constitutes a federal record.

Records Management at NCUA

As far back as 2012, OCIO was responsible for records management at the NCUA. OCIO's responsibilities at that time included in part, updating records schedules, establishing a method to provide training to all employees, filing reports with NARA, and representing the NCUA at periodic meetings with NARA. In addition, OCIO worked with OGC regarding a proposal to establish a records management IT system presented to NCUA's Information Technology Prioritization Council (ITPC) in 2015.⁵ In March 2017, the NCUA formed a records management team led by OGC to establish a functional records management program. In July 2017, the Board approved establishing a fulltime division within OGC that became effective in January 2018 to manage all day-to-day operations of the NCUA's records management activities.

⁴ Under 44 U.S.C. §2904 & 2906, NARA has the authority to inspect the records management practices and programs of Federal agencies.

⁵ The purpose of the ITPC is to set the strategic direction for IT by prioritizing projects and better aligning IT investments with the NCUA's mission.



RESULTS IN DETAIL

Results of our audit identified a lack of a universal records management program for the NCUA. We determined the lack of policies and procedures to govern such a program led to no clear lines of communication among various offices, an overall lack of managing the agency's records – both physically and electronically, and the need for improvements over managing records. In addition, we determined the NCUA lacked expertise and training in records management. As shown throughout our report, decisions made by NCUA management to address records management requirements negatively affected the agency's implementation of a sound records management program.

We determined that the combination of a lack of resources and competing priorities kept management from creating a viable records management program. Although management knew of the records management requirements as far back as August 2012, we determined that management took little action to address the President's 2011 Memorandum and OMB/NARA's subsequent 2012 Directive on records management until 2016 when they contracted with NARA for consulting services to help develop an action plan for resolution.

We learned that since 2012, on more than one occasion, records management efforts would start and stall due to competing priorities, such as other IT projects. We determined management dedicated few staff to the effort, and what few staff they did assign did not have the experience in records management to stand up such a program. However, after receiving NARA's consulting report in October 2016, we learned that management took corrective actions to address the issues identified in the NARA report by forming a records management team in March 2017. We also determined management did not provide NCUA staff with records management training until June 2017.

NCUA Lacks a Records Management Policy and Program

We determined that the NCUA lacked both a formal records management policy and program. Specifically, NCUA management did not follow federal law by establishing policies and procedures to govern an agency-wide records management program. As a result, we determined that offices throughout the NCUA do not know how to properly archive hard copy and electronic records. The Federal Records Act states in part, "The head of each Federal agency shall make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency."⁶ In addition, the Government Accountability Office's (GAO) Green Book states in part that "management should implement control activities through policies" and that "management documents in policies for each unit its responsibility for an operational process's objectives and related risk, and control activity design, implementation, and operating effectiveness." NARA's implementing regulations provide that agencies must issue directives establishing program

⁶ 44 U.S.C. § 3101.



objectives, responsibilities, and authorities for the creation, maintenance, and disposition of agency records and assign records management responsibilities in each program and administrative area to ensure incorporation of recordkeeping requirements and records maintenance, storage, and disposition practices into agency programs, processes, systems, and procedures.⁷ We believe the lack of formal policies and procedures was potentially harmful to the agency because records could be mishandled, lost, or discarded. Further, because of the general lack of attention we found regarding the development of policies and procedures, we believe that the establishment of a records management program was not a priority for NCUA management.

Details

As previously mentioned, we determined that offices throughout the NCUA do not know how to handle records in compliance with NARA requirements. We were informed that many offices are keeping decades old hard copy documents instead of sending them to be archived or properly destroyed. For example, although corrected during our audit, we were told that OGC staff had kept some closed legal files in unsecured file cabinets in unlocked file rooms rather than assessing whether they were records that should have been archived or disposed of properly. As a result, unauthorized personnel or other unauthorized individuals could have potentially accessed sensitive information. Further, we determined that the NCUA had no checklist to follow when an employee left the agency to ensure all of their electronic and hard copy records were properly assessed for records management purposes.

NARA Reports

During our audit, we learned that the NCUA completed and submitted the NARA self-assessment reports from 2013 through 2016. Based on the agency's submissions, NARA rated the NCUA as "high risk"⁸ in each of the four years. As shown in Table 1 below, we compared the NCUA against the other Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) agencies and determined that the NCUA has consistently had significantly lower ratings than the average rating of the other FIRREA agencies combined.

⁷ 36 Code of Federal Regulation (CFR) § 1220.34

⁸ Records Management Self-Assessment report has four sections with scored questions. The risk categories are Low (90-100), Moderate (60-89), and High (0-59).



Table 1

Comparison of NCUA's NARA Scores with Other FIRREA Agencies' Average Score		
Year Submitted	NCUA Score	Other FIRREA Average Score
2013	48	87
2014	49	81
2015	44	84
2016	47	79

Records Management Self-Assessment Reports submitted to NARA from 2013-2016

We learned during our audit that NARA's "high risk" rating indicates that the agency does not comply with statutory and regulatory records management requirements. Agencies use NARA's assessments as a guide to ensure compliance and to analyze their current programs and make improvements, as needed. NCUA personnel informed us that senior management did not become aware of the submission of the agency's self-assessment reports to NARA and NARA's subsequent scores and ratings of the NCUA until September 2016. We reviewed the NCUA's self-assessment reports from 2013 through 2016 and determined that the lack of official policies and procedures over its records management activities greatly contributed to the agency's low scores and high risk ratings. We believe had NCUA management developed records management policies and procedures prior to the first self-assessment report by NCUA staff, the agency would have had substantially higher scores and thus lower risk ratings.

In January 2018, management moved responsibility for the records management program from its long-time oversight in OCIO and created a new division within OGC to oversee all facets of similar disciplines dealing with document and information management.⁹ Management also developed a final records management policy and issued it agency-wide on January 31, 2018. Because management has taken action by issuing a final policy, we are not making recommendations at this time.

**Communication
 Issues at All Levels**

We identified a lack of communication or miscommunication at all levels of the NCUA surrounding the agency's efforts to manage its records. Specifically, we found that executive management did not timely or accurately update the NCUA Board on records management, offices did not effectively communicate with each other, and management gave limited guidance to staff on how to handle records in the conduct of their day-to-day duties. GAO's Green Book states, in part, "as part of establishing an organizational structure, management considers how units interact in order to fulfill their overall responsibilities. Management establishes reporting lines within an organizational structure so that units can

⁹ As part of the NCUA's reorganization, which launched on January 7, 2018, management established a division within OGC to comprehensively manage all facets of records management. This division manages all program functions related to privacy, records management, the Freedom of Information Act, and the Paperwork Reduction Act.



communicate the quality information necessary for each unit to fulfill its overall responsibilities. Reporting lines are defined at all levels of the organization and provide methods of communication that can flow down, across, up, and around the structure.”¹⁰ We believe the lack of communication and miscommunication occurred because management did not make records management an agency-wide priority. As a result, management and staff did not adequately communicate regarding records management across all levels of the agency.

Communication Issues with the NCUA Board

During our audit, we learned of instances of either miscommunication or no communication with the NCUA Board in regards to records management. One significant example involved funding for the NCUA's records management system. We learned that in August 2015 OGC proposed a records management system to the NCUA's ITPC for prioritization among all of the NCUA IT projects. OGC estimated the cost of such a system would be approximately \$5.3 million. However, due to the other critical higher priority IT system development needs, the ITPC made only the email portion of the proposed records management system a priority because of NARA's 2016 federal security requirement to implement an electronic email management system. The ITPC earmarked \$300,000 and noted in its August 2015 Summary and Decision Actions, that this money would be used to: “investigate developing an interim, low-cost email archiving solution to address the OMB/NARA Directive requiring federal agencies to manage both permanent and temporary email records in an accessible electronic format by December 31, 2016.”

In September 2015, the ITPC had 15 capital projects to be considered for funding. Of those 15 projects, the ITPC approved six for immediate presentation to the NCUA Board for funding. The fourth ranked project on ITPC's list was for the establishment of a NARA compliant enterprise records management solution. However, we determined that in the November 2015 Board meeting, executive management briefed the board and requested \$300,000 as an “investment in an enterprise records management system designed to enable the NCUA's email archiving capability to comply with new federal security requirements outlined by NARA to implement an electronic email management system by 2016.” Based on this language used by executive management, we believe it is reasonable that the Board members were under the impression they were purchasing an electronic email system when in fact management intended only to use the funding to purchase infrastructure hardware and/or storage for archiving emails sent and received by the agency's executives to fulfill the email-archiving mandate. Management informed us that the \$300,000 was not expended as planned and they implemented the executive email-archiving requirement instead through existing resources and available hardware, leaving the \$300,000 for use at a future time.

During our audit, we learned OGC provided ITPC members with information regarding federal records management laws and regulations in 2015. We also determined through ITPC's August 2015 Summary and Decision Action document that the Office of the Executive Director (OED)

¹⁰ Standards for Internal Control in the Federal Government, GAO-14-704G (Sept. 10, 2014).



would take a request to the Board to study the requirements for an enterprise-wide record and document management solution. However, senior advisors to the Board informed us that executive management did not inform the Board of anything substantial concerning records management until October 2016. Given that OGC informed the ITPC about the records management mandates in 2015, we believe communication to the NCUA Board should have occurred at that time. This communication from OED to the Board should have included a status of where a records management system ranked in the priority of IT projects for the agency, as well as a discussion regarding what it would take, both physically and monetarily, to stand up a records management program for the NCUA.

Communication Issues within and among Offices

During our audit, we learned of instances of either miscommunication or no communication among offices regarding records management. For example, we identified miscommunications related to the NCUA's submission of self-assessment report to NARA. As previously noted, the NCUA has submitted self-assessment reports to NARA since 2013. However, we determined that staff filed these reports with NARA without management's knowledge or approval.

The staff filing the reports believed that the reports were just an internal tool to determine the NCUA's records management needs, so they did not inform any level of management about the reports. They did not know that NARA scored the NCUA's record management efforts based on the reports and that the reports are posted on NARA's website. Executive management did not become aware of the reports until September 2016 and has since developed a review process for them going forward.

Communication Issues with Staff

As previously mentioned, during the scope period of our audit, NCUA management had not issued policies or procedures until January 31, 2018, to guide staff on what actions to take regarding the handling of records. We learned that in early 2015 Region I staff contacted OGC for guidance regarding what to do with their outdated records. OGC staff informed us that this was the first time they were asked about records management and they were not able to provide specific answers at that time. However, Region I's questions did spur many discussions between OGC and OCIO about the NCUA's records management practices.

In addition, we learned from an October 2016 NARA consulting services memorandum,¹¹ that "some employees store records at their desks, while others forward them to a file room or storage room...most employees maintain electronic records (convenience copies) while others are

¹¹ In early 2016, the NCUA requested NARA's consulting services, to determine the status of the agency's records management practices and how to improve them going forward. OGC volunteered to be the test subject due to the importance of records management in their office.



strictly in hard copy form.” NARA reported that practices such as these caused the following setbacks for the NCUA/OGC:

- difficulty in searching for and locating electronic records,
- difficulty searching for and locating physical records,
- inadequate or poorly maintained file rooms/storage areas used to maintain physical records,
- inability to properly categorize and classify records,
- inability to properly manage and dispose of records,
- records on shared drives lack standardization and structure,
- difficulty retrieving records when needed, and
- potentially mixing permanent and temporary records.

NARA reported that when records are improperly stored; either at an individual’s desk or saved to a shared drive without proper structure and standard naming conventions, it limits access, the ability to search, and use of the record. Based on what we found during our audit, we believe these or similar setbacks are occurring throughout the agency.

During our audit, we determined that management has taken strides to address many of the concerns surrounding lack of communication or miscommunication for records management. In March 2017, executive management appointed a new records management team led by OGC to first identify gaps in the agency’s current procedures. This team currently reports to the Deputy Executive Director to communicate the ongoing status of records management efforts within NCUA. However, now that the new division has been established within OGC, it will manage all facets of the records and privacy program.

In addition, the records management team established an intranet presence to communicate information to all employees and identified a Records Liaison¹² for each office within the agency. The Records Liaisons currently receive a bi-weekly newsletter on records management efforts for the agency. Because management established policies and procedures, the Records Liaisons will implement them in their respective offices. However, even though management

¹² The Records Liaison is responsible for maintaining the office's file plan, coordinating the development and revision of the office's records schedules, facilitating the timely destruction of temporary records and the transfer of permanent records, and generally serving as a point of contact for records management questions (from colleagues or the Records Officer).



has made strides in making records management a priority, we believe the lack of communication or miscommunication that we identified at all levels of the agency should be addressed in part with the recently issued records management policy and a new method of handling mandates with IT-related needs is adopted. Because management issued a new policy during our audit, we are not making a recommendation related to this issue. However, we are making the following recommendation related to statutory or other legal requirements.

Recommendation

We recommend NCUA management:

1. Implement a change to the protocol of all Board briefings that occur as part of the ITPC project evaluation to include a listing of all office projects and highlight those that are associated with a statutory or other legal requirement as well as the rating and ranking of each project.

Management Response:

Management agreed with the recommendation. Management indicated they will change their process moving forward and will provide all board offices with a project list containing the rating and ranking of each project and highlight any statutory or other legal requirement relevant to the projects following each ITPC ranking determination.

OIG Response:

We concur with management's planned actions.

Improvements Needed for Training

We determined that during the scope period of our audit, management did not provide records management training to NCUA staff. Specifically, there was no training given to promote, teach, or advance staff and management's knowledge and basic understanding of their roles and responsibilities in the management of records until June of 2017. As a result, NCUA management did not provide staff with clear guidance on their roles and responsibilities regarding records management, which has created confusion among offices and transparency issues as an agency. We believe this occurred because records management was not an agency priority until 2016.

NARA regulations state in part that agencies must provide guidance and training to all agency personnel on their records management responsibilities, including identification of federal records, in all formats and media.¹³ In addition, NARA's Directive stated in part:

¹³ 36 CFR § 1220.34(f)



- by December 31, 2014, the designated Agency Records Officer for each agency must hold the NARA certificate of Federal Records Management Training, and
- by December 31, 2014, all federal agencies must establish a method to inform all employees of their records management responsibilities in law and policy, and develop suitable records management training for appropriate staff.

NARA Bulletin 2017-01¹⁴ provides the minimum requirements for agency records management training programs. The Bulletin states in part, "...agencies must provide records management training to all agency personnel that create, receive, access, or use federal records on behalf of the agency, regardless of whether those individuals have email accounts or IT network access and agencies must develop records management training content specific to the practices and policies of the organization." Although we determined that the NCUA's designated Agency Records Officer received training provided by NARA to meet these requirements, NCUA management did not meet the NARA requirement to establish a method to inform all employees of their records management responsibilities, or develop suitable training for appropriate staff in a timely manner.

As previously mentioned, during the scope period of our audit, management did not provide training to staff on their responsibilities and roles for records management. In NARA's 2016 consulting memorandum, it noted that staff kept records at their desk or in file rooms or kept convenience copies. We believe this occurred for two reasons: the lack of policies and procedures and the lack of training. We believe that had staff been trained, they would have understood the definition of a record and what actions to take to properly store, archive, or dispose of such records.

During our audit we learned that the records management team had begun to address the training issue described above. This team established a "Records Liaison" within each office and provided them with initial training in May 2017. The goal of this training was to provide guidance on what NARA considers to be a record and how to pass this and other records-related information to staff in their respective offices.

In addition, we determined the records management team established mandatory annual records management training for all NCUA staff beginning in June 2017. Although this training covered many aspects of the records management process, including staff roles and responsibilities, we believe this baseline training, which the NCUA titled "NCUA Records Management 101: Introduction to Records Management," must be expanded to become more comprehensive and aligned with the agency's policies and procedures. Further, although management officials told us that records management training is annual training for all staff, we believe management must ensure that as the NCUA moves towards its records being completely electronic, Records

¹⁴ Agency Records Management Training Requirements, NARA Bulletin 2017-01 (Nov. 29, 2016).



Officers, Information Specialists,¹⁵ and Records Liaisons receive the most up-to-date supplemental training to maintain a flow of current information to offices.

Although management has taken corrective action to address the training needs for the agency, we believe improvements are needed to NCUA's records management training; therefore, we are making the following recommendations.

Recommendations

We recommend NCUA management:

2. Assess and update the NCUA's current annual records management staff training course to ensure it aligns with the NCUA's records management policies and procedures.

Management Response:

Management agreed with our recommendation. Management plans to continue providing records management training and to make sure it is consistent with NCUA records management policies and procedures. Management began offering NARA-established requirements in training to all staff in June 2017.

OIG Response:

We concur with management's actions taken and planned.

3. Ensure the Records Officer, Records and Information Specialists, and Records Liaisons receive continuous supplemental role-based training on the most current topics related to records management to ensure that offices receive the most up-to-date information possible.

Management Response:

Management agreed with our recommendation. Management will continue role-based and subject matter training initiatives for Records Liaisons and others to address many topics that may include general electronic records management, metadata usage, accessioning of permanent records, and other pertinent topics and responsibilities by December 2018. Management offered the first training initiative for Records Liaisons in May 2017.

¹⁵ Information Specialists work with the Records Officer in implementing records management processes to ensure proper creation, maintenance and use, and disposition of NCUA records. Information Specialists may assist the Records Officer in approving file plans, performing other quality control reviews and compliance audits, and developing training to ensure program effectiveness. Information Specialists also provide guidance and assist Records Liaisons in meeting records management lifecycle requirements.



OIG Response:

We concur with management's actions taken and planned.

**Record Retention
Schedules Not
Timely Assessed and
Updated as Needed**

We determined management did not timely assess and update, as needed, the NCUA's record retention schedules. Specifically, because offices did not understand how or when to properly archive hard copy and electronic records, they did not assess and update schedules, as needed. This occurred because NCUA staff did not know their roles and responsibilities due to a lack of policies and procedures as well as a lack of training. As a result, staff continued to keep records and copies of records at their desks and in filing cabinets rather than sending them to be archived or disposed of properly. In addition, the records management team is conducting an agency-wide inventory of all paper and electronic records on hand - which is an enormous undertaking.

The NARA Directive states in part, "by December 31, 2016, the SAO shall work with the agency Records Officer to ensure records schedules have been submitted to NARA for all existing paper and other non-electronic records. To facilitate this goal, the agency Records Officer will work with NARA to identify all unscheduled records, by December 31, 2013. This should include all records stored at NARA and at agencies' records storage facilities that have not yet been properly scheduled."

During our audit we learned that the records management team, as part of the file plan process, instructed offices that they are responsible for creating their own file plans and submitting them to the NCUA Records Officer for review and approval. We also learned that the Records Officer provides a file plan template for offices to use, but an office may request permission to design its own file plan. During the scope period of our audit, we determined that the NCUA's records schedules had become outdated because management did not communicate to staff their roles and responsibilities regarding assessing and updating record retention schedules as needed. Although schedules must be updated when business practices become out-of-date, we determined that NCUA's schedules were outdated because of a lack of understanding of roles and responsibilities. We also determined management provided little or no guidance on when updates needed to occur due to changes in law, as well as no guidance to prepare for how to manage electronic records in the future.

We also learned during our audit that in 2009, senior management requested each office to update their respective records schedule. Based on this request, the NCUA submitted four NCUA-specific record schedules to NARA for approval. However, we learned that of the four submitted records schedules, NARA approved two and stamped two as "withdrawn." For the two that were withdrawn, NCUA staff told us that NARA reached out for more information; however, because more than two years had passed since the NCUA had submitted the records schedules, NARA rejected one and covered the other under their GRS. Based on information we received during our audit, management did not inform each office of these developments to the



records schedules and provided no guidance on how to proceed. As a result, NCUA has not provided NARA with updated records schedules since 2009. After the scope period of our audit, we learned that in February 2017, the NCUA submitted a records schedule to NARA for review and approval.

In June 2017, we determined that the agency's records management team revitalized updating record retention schedule efforts by contacting each office to request they conduct an inventory. The purpose of the request was to identify what types of records each office currently has on hand, whether or not those records are permanent or temporary, and how each office should manage them. The records team has provided offices detailed information through a website on the NCUA's intranet on how they can update their schedules. In addition, the website provides offices instructions on how to reach out for assistance from the records team when going through old documents to ensure each office determines whether they must archive or dispose of the records. Because NCUA management has taken action to address both records management schedules and an agency-wide inventory of all records on hand, we are not making a recommendation at this time.

**Improvement
Needed Over
Managing Records**

Based on the NCUA's plan, management believes the agency will likely meet NARA's 2019 requirement for electronic records management. However, the agency will not be able to manage all permanent records electronically in a single dedicated system. Specifically, we believe that while the NCUA is moving towards having all permanent records maintained electronically by the required date, the agency will not be able to manage these records in a single dedicated system that will allow the agency to easily transfer and grant access to NARA. We also determined that although the NCUA met NARA's 2016 email requirement, improvements are needed to ensure the agency can identify, retrieve, and retain records as long as they are needed. We believe this occurred because, as previously mentioned, management advised us there were competing higher risk IT priorities for the agency, which records management was not the focus of until recently.

NARA/OMB's M-12-18 Directive, states, in part:

- "By December 31, 2016, federal agencies must manage all email records in an electronic format. Email records must be retained in an appropriate electronic system that supports records management and litigation requirements, including the capability to identify, retrieve, and retain the records for as long as they are needed."
- "By December 31, 2019, all permanent electronic records in federal agencies will be managed electronically to the fullest extent possible for eventual transfer and accessioning by NARA in an electronic format. Agencies should also consider the benefits of digitizing permanent records created in hard-copy format or other analog formats."



During our audit, management informed us they plan to meet the 2019 requirement to manage all permanent records electronically. The NCUA currently maintains the vast majority of its records in electronic form utilizing current IT solutions to manage the records of each office in coordination with each office's Record Liaison. However, we believe a single dedicated system for documenting, storing, and retrieval would improve the processes and make them more efficient. Management agreed and advised us they have included a comprehensive electronic records management system in their five-year agency plan,¹⁶ which will allow the NCUA to easily transfer and grant access to its records to NARA.

2019 NARA Requirement

During our audit, we determined that OCIO developed an Enterprise Technology Roadmap (roadmap), which will help management meet its IT-related goals, including a records management system. Also, senior management responded to the NARA SAO for records management report, stating that the agency is making progress toward meeting the 2019 deadline by scanning/digitizing permanent records and launching a multi-year Enterprise Solutions Modernization program that will update the technology supporting the NCUA's business activities and facilitate documentation, access, and disposition in accordance with the Directive and other Federal requirements. The roadmap includes a five-year plan to integrate an Enterprise Content Management (ECM)¹⁷ system that will incorporate records management and other system needs. OCIO management advised us that they were going to reach out to a contractor to conduct market research, bench marking, requirements review, and alternatives analysis for technology options for the agency's ECM requirements sometime in 2018 or 2019.

Based on our audit of the roadmap, the schedule shows OCIO requesting Board approval to award a contract for the ECM system in the third quarter of 2019, with implementation being completed at the end of 2021. We asked OCIO why they did not make the ECM system a higher IT priority. OCIO explained that there were other competing higher risk IT priorities that took precedence over ECM. Management believes current IT solutions will allow for compliance with the NARA 2019 requirement.

NARA specialists informed us that despite having the December 31, 2019, target date in the Directive, they would prefer to work with agencies to develop and implement viable plans to assist them in becoming federally compliant. These same specialists also stated that it is their belief that NARA would most likely not report agencies for missing deadlines. However, regarding the NCUA's records management efforts to date, the specialists noted that they are unaware of any plan that the NCUA may or may not have for making records management completely electronic and federally compliant because there has been little communication between NARA and NCUA regarding these efforts. Given that NCUA management plans to

¹⁶ NCUA 2017-2021 Enterprise Technology Roadmap shows the prioritization of agency needs by office of primary interest, which are then deployed based on available resources.

¹⁷ Enterprise Content Management is a single platform comprised of an integrated set of configurable tools used to capture, manage, access, report, share, integrate, measure and store information.



launch a multi-year Enterprise Solutions Modernization program that will update the technology supporting the NCUA's records management activities, we are making the following recommendation.

Recommendation

We recommend NCUA management:

4. Establish a line of communication and regularly update NARA specialists in order to advise them on the NCUA's progress towards implementing a comprehensive records management system to ensure that NARA meets its congressional requirements regarding records management for the federal government.

Management Response:

Management agreed with the recommendation and indicated that many efforts have already taken place to expand communication with NARA in 2017 and that the implementation of these efforts will be augmented with the hiring of a full time Records Officer and several records and information specialists in 2018.

OIG Response:

We concur with management's corrective actions taken and planned.

2016 NARA Requirement

The NCUA met the 2016 requirement by receiving approval in April 2016 to utilize NARA's Capstone approach to electronically manage email. The following points summarize NARA's Capstone approach:¹⁸

- Email is managed in an electronic format in compliance with Section 1.2 of Directive M-12-18.
- Final disposition is based on the role or position of the end-user, not the content of each individual email record.
- Email of senior officials could be scheduled as permanent, eventually being transferred to the legal custody of NARA.
- Email of other federal employees could be scheduled as temporary, with authority for eventual destruction.

¹⁸ NARA White Paper on The Capstone Approach and Capstone GRS, April 2015, p. 7.



- Capstone affords flexibility, allowing agencies to design an approach that fits their technology, business needs, and culture.
- Use of the Capstone approach is not mandatory; agencies may develop other solutions that comply with Section 1.2 of M-12-18.

During our audit, we learned that the NCUA implemented the Capstone approach in August 2016. In its response to NARA's Email Management Reporting requirement for 2016, when asked which of the levels best describes the usability and ability to retrieve email throughout its lifecycle, the NCUA submitted the following:

- email records are retrievable through system back-ups or other means;
- there is minimal management of email of departed employees;
- producing email for requests is achievable but time consuming and costly;
- limited training or other awareness of security of email; and
- processes for maintaining email records are starting to be standardized agency-wide.

Currently, the NCUA is housing all emails for NARA-approved senior officials using the Capstone approach and housing them on an NCUA server, which does not allow them to be easily searchable as they are not categorized or tagged. In addition, an OCIO official informed us that they are purchasing more storage/server space to accommodate the email storage needs of the agency. Although the NCUA is utilizing the Capstone approach as stated above, NCUA management identified areas for improvement in its latest email reporting to NARA. As a result, we believe the NCUA's current method of storing emails to ensure they can easily identify, retrieve, and retain records needs improvement. Therefore, we are making the following recommendation.

Recommendation

We recommend NCUA management:

5. Fully utilize NARA's Capstone approach, or a comparably developed approach, by storing email in an easily searchable, retrievable, and retainable format to ensure usability by the NCUA, and to ensure NARA can receive and access the records.

Management Response:

Management agreed with our recommendation. Management indicated they would continue



implementing an appropriate method for storing email and other electronic records and have plans to implement solutions included in the enterprise technology plan to, among other things, include an improved email management component by December 2019.

OIG Response:

We concur with management's planned corrective actions.



Appendix A: Objective, Scope, and Methodology

We developed our objectives for this engagement based on OIG's 2017 Annual Performance Plan. Specifically, our objectives were to:

- Determine whether the NCUA has a comprehensive records management framework, retention, and disposal system in place; and
- Determine whether the NCUA is in compliance with applicable records management policies, procedures, laws and regulations.

To accomplish our audit, we performed fieldwork at the NCUA's Central Office in Alexandria, VA. The scope of this audit focused on all comprehensive records management activities during the period of January 1, 2012, through December 31, 2016. To achieve our objectives, we:

- Reviewed NCUA's records schedules.
- Reviewed NCUA's self-assessment reports to NARA from FY 2012 – 2016.
- Reviewed applicable Presidential Memorandum and NARA and OMB's bulletins, guidance, and Directive M-12-18.
- Reviewed laws applicable to records management.
- Reviewed GAO's *Standards for Internal Control in Federal Government*, dated September 2014.
- Reviewed the NCUA's Board Minutes from 2015 to 2017.
- Reviewed ITPC meeting minutes and presentations.
- Obtained examples of the NCUA's records, certificates, and records schedules.
- Interviewed NCUA staff, senior management, and executive management involved in records management.
- Interviewed NARA officials assigned to NCUA records management.

We conducted this audit from January 2017 through March 2018 in accordance with generally accepted government auditing standards and included such tests of internal controls, as we considered necessary under the circumstances. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings



and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Appendix B: Management Comments

National Credit Union Administration
Office of the Executive Director

SENT BY EMAIL

TO: Inspector General Jim Hagen

FROM: Executive Director Mark Treichel

A handwritten signature in blue ink that reads "Mark Treichel".

SUBJ: Management Response – Audit of the NCUA’s Comprehensive Records Management Process

DATE: March 12, 2018

The following is our response to the recommendations set forth in the Office of Inspector General’s draft report titled “*Audit of the NCUA’s Comprehensive Records Management Process.*” While we have additional actions to take, the NCUA has made a significant investment of time and resources to improve the quality of our program over the last two years. Your report highlights many of the changes during this period. We appreciate your work on this audit and concur with all recommendations.

Recommendation 1: Implement a change to the protocol of all Board briefings that occur as part of the ITPC project evaluation to include a listing of all office projects and highlight those that are associated with a statutory or other legal requirement as well as the rating and ranking of each project.

Response: We will provide all board offices with a project list containing the rating and ranking of each project and highlight any statutory or other legal requirement relevant to the projects following each ITPC ranking determination.

Recommendation 2: Assess and update the NCUA’s current annual records management staff training course to ensure it aligns with the NCUA’s records management policies and procedures.

Response: We will continue providing records management training and make sure it is consistent with NCUA records management policies and procedures. We implemented records management policies and procedures based on NARA-established requirements for federal records management programs including annual training requirements. Specifically with regards to training, in February 2017, NCUA legal staff reviewed the training course presented to all NCUA staff and contractors to ensure it aligned to these NARA-established requirements. Beginning in March 2017, the annual training was rolled out to the records management project team, followed by office records liaisons in April, and all remaining staff and contractors in June 2017.

Recommendation 3: Ensure the Records Officer, Records and Information Specialists, and Records Liaisons receive continuous supplemental role-based training on the most current topics related to records management to ensure that offices receive the most up-to-date information possible.

Response: We are continuing training initiatives for Records Liaisons started in May 2017 which included eight hours of role-based training to Records Liaisons across the agency, ongoing one on one support, and a bi-weekly newsletter highlighting current records management topics. Additional role-based and subject matter trainings are planned and will occur by December 2018 addressing topics that may include general electronic records management, metadata usage, accessioning of permanent records, and other pertinent topics and responsibilities.

Recommendation 4: Establish a line of communication and regularly update NARA specialists in order to advise them on the NCUA's progress towards implementing a comprehensive records management system to ensure that NARA meets its congressional requirements regarding records management for the federal government.

Response: We began expanding our communication points with NARA beyond its annual reports submissions in 2016. During FY2017, the NCUA conducted several meetings with its NARA consultant; held discussions on NCUA records management plans and progress with NARA training leadership and our assigned appraisal archivist; regularly attended bimonthly BRIDG meetings; and continued its participation in the Federal Records Officer Network. These efforts will be augmented by management's completion in 2018 of hiring a full time Records Officer and several records and information specialists.

Recommendation 5: Fully utilize NARA's Capstone approach or a comparably developed approach by storing email in an easily searchable, retrievable, and retainable format to ensure usability by the NCUA, and to ensure NARA can receive and access the records.

Response: We will continue implementing an appropriate method for storing email to ensure efficient, effective storage and retrieval. While NCUA implemented the Capstone approach for capturing designated officials' emails in 2016, its enterprise technology plan includes a pursuit of additional solutions to address further email and other electronic records management needs. Implementation of an improved email management component is planned to occur by December 2019.

Thank you for the opportunity to review and comment on the report. Please contact me if you have any questions.



Appendix C: Acronyms and Abbreviations

AMAC	Asset Management & Assistance Center
CFR	Code of Federal Regulations
ECM	Enterprise Content Management
FIRREA	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
GAO	Government Accountability Office
GRS	General Records Schedule
IT	Information Technology
ITPC	Information Technology Prioritization Council
NARA	National Archives and Records Administration
NCUA	National Credit Union Administration
OCIO	Office of the Chief Information Officer
OED	Office of the Executive Director
OGC	Office of General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
SAO	Senior Agency Official