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Treasury General Management and Infrastructure Support: Records Management at Departmental Offices

OIG-02-036 January 30, 2002

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Abbreviations

BPD	Bureau of the Public Debt
CFR	Code of Federal Regulations
DASIS/CIO	Deputy Assistant Secretary for Information Systems/Chief Information Officer
CMAPO	Chief Management and Administrative Programs Officer
Department	Department of the Treasury
DO	Departmental Offices
DO/MAP	Departmental Offices/Management and Administrative Programs

Contents

Abbreviations (continued)

FOIA	Freedom of Information Act
FMS	Financial Management Service
FRC	Federal Records Center
FY	Fiscal Year
GRS	General Records Schedules
NARA	National Archives and Records Administration
OASIA	Office of the Assistant Secretary for International Affairs
OASM/CIO	Office of the Assistant Secretary for Management/ Chief Information Officer
OGC	Office of the General Counsel
OIG	Office of Inspector General
OMB	Office of Management and Budget
OITPS	Office of Information Technology Policy and Strategy
RIPT	Records Improvement Project Team (also referred to as RIPTeam)
RMRB	Records Management and Resources Branch
SF	Standard Form
TD	Treasury Directive
TD P	Treasury Directive Publication
TreasNet	Treasury Department-Wide Intranet
USC	United States Code

January 30, 2002

James J. Flyzik
Acting Assistant Secretary for Management/
Chief Information Officer
Departmental Offices

The Department of the Treasury (Department) manages records throughout their life cycle to facilitate accomplishment of the agency's programmatic and administrative missions, to preserve official agency records in accordance with statutory and regulatory requirements, and to ensure access to information by Treasury officials and the public, as appropriate. The Department plans and establishes a framework for managing and overseeing a comprehensive agency-wide records management program. All records of the Department should be listed, and accounted for, in records schedules, and their disposition should be in accordance with the schedules.

The Federal Records Act requires agencies to create and preserve records containing adequate and proper documentation of their functions, policies, procedures, and essential transactions. The Federal Records Act also requires that agencies establish and maintain a program for the efficient management of their records and management programs. In addition, the Paperwork Reduction Act of 1995, with respect to records management, requires each agency to implement and enforce applicable policies and procedures, including requirements for archiving information maintained in electronic format, particularly in the planning, design, and operation of information systems.

The objectives of the audit were to determine whether Departmental Offices (DO) had implemented applicable records management policies and procedures in accordance with regulatory

guidance, and to evaluate whether DO components[1] had controls that would allow for authorized, timely, and appropriate disposition of records. In addressing the first objective, we also considered whether procedures regarding litigation activities would enable program staff to appropriately communicate the need for records information and to retrieve documents required for litigation and for Freedom of Information Act (FOIA) and congressional requests prior to disposition. With reference to litigation, it should be noted that the Department has been under Court Order to preserve all documents relating to the Individual Indian Monies Trust Fund.[2]

As part of this multi-bureau review of controls over records management, we conducted audit work at the DO components, at the Financial Management Service (FMS), and at the Bureau of the Public Debt (BPD), from April 2000 to January 2001. This report reflects the results of our work at DO. We plan to issue separate reports for FMS and BPD. A more detailed description of our objectives, scope, and methodology is provided as Appendix 1.

Results in Brief

We found that, at the time of our review, DO had completed work towards developing the appropriate records management policies and procedures. For example, during Fiscal Year (FY) 2000, the Deputy Assistant Secretary for Information Systems/Chief Information Officer (DASIS/CIO) implemented Treasury Directive (TD) 80-05, *Records and Information Management Program*, and the accompanying Treasury Directive Publication (TD P) 80-05, *Records and Information Management*

[1] In this report, the term ***DO components*** refers to all of the individual organizational units within Departmental Offices. At the time of our audit, DO components included twelve Offices at the Assistant Secretary or equivalent level, which reported either to one of the Under Secretaries or directly to the Deputy Secretary of the Treasury. DO components also included all of the units that reported to these twelve Offices, some of which also have the title of *Office*. For example, seven major units reported to the Office of the Assistant Secretary for International Affairs, including the Office of Trade Finance and the Office of Multilateral Development Banks.

[2] Cobell, *et al*, v. Norton, Civ.No. 96-01285(RCL)(D.D.C.), addressing the Federal government's management of the Individual Indian Monies Trust Fund (referred to as Cobell in this report).

Manual.[3] The manual included guidance for specific categories of records, detailed organizational responsibilities, and guidelines for DO components and the bureaus to develop the appropriate records management programs. We concluded at that time, however, that further action should be taken to strengthen the records management program.

Our report presents four recommendations to the Acting Assistant Secretary for Management/Chief Information Officer. The first recommendation addresses a function of the DASIS/CIO, whose office has records management policy-setting responsibilities for the Department. The other three focus more on DO's bureau-level records management requirements, which are the responsibility of the Chief Management and Administrative Programs Officer (CMAPO).

Additional action has been taken since the time of our field work. A November 15, 2001, response to our draft report provides detailed information on steps that have been taken, including the development of a comprehensive Project Improvement Plan. In addition, the DASIS/CIO developed a 2-year no-cost memorandum of understanding with the National Archives and Records Administration (NARA) for records management assistance, revitalized the bureau records management officers working group, and conducted evaluations of bureau programs. The CMAPO established a DO Records Improvement Project Team (RIPT), for which the DASIS/CIO provided a resource to participate.

These serve as some examples of actions taken by management in its ongoing efforts for program improvement. A summary of other actions taken or planned is included under each of the four *Findings* in this report, while Appendix 2 contains the complete response. We believe that the actions taken or planned by DO address the intent of our recommendations.

[3] In this report, the term ***Treasury Directives*** is used to refer to TD 80-05 and TD P 80-05 collectively. In instances where a statement applies to only one of the two documents, the specific reference is shown.

Background

When conducting business, every Federal agency creates a large number of records in a variety of media. Numerous laws, regulations, and directives have been formulated to address records management practices, including the following that apply to Treasury and DO.

- The Federal Records Act, 44 United States Code (USC) 3105.
- The Paperwork Reduction Act of 1995, 44 USC 3506.
- The Freedom of Information Act, 5 USC 552.
- Office of Management and Budget (OMB) Circular A-130, *Management of Federal Information Resources,* dated February 8, 1996.
- NARA Regulations, 36 Code of Federal Regulations (CFR) 1220 and following.
- NARA General Records Schedules.
- TD 80-05, dated February 23, 2000.
- TD P 80-05, issued during March 2000.
- *Records Management Self-Evaluation Guide*, issued by NARA, revised/adopted by Treasury during August 1999.

Since it was originally established in 1789, Treasury's functions have expanded to include the numerous DO components and bureaus that now comprise the Department. Currently, Treasury performs varied functions, such as (1) formulating, recommending, and administering financial, economic, and tax policies; (2) managing the public debt; and (3) serving as financial agent for the United States government.

Records management responsibilities for Treasury reside within two offices in the Office of the Assistant Secretary for Management/ Chief Information Officer (OASM/CIO), that of the DASIS/CIO, and that of the CMAPO, which was formerly the Office of the Deputy Assistant Secretary for Administration.

The office of the DASIS/CIO is responsible for leadership, planning, overall policy, and general oversight of the records and information management program in Treasury and its incorporation into the broader information technology policy management framework.

Within the Office of Information Technology Policy and Strategy (OITPS), which reports to the DASIS/CIO, is the Department's Records and Information Management Officer. This Officer is responsible for managing and coordinating the Treasury-wide records and information management program. Responsibilities also include serving as the Department's liaison with NARA and with the General Services Administration; providing leadership and guidance to the DO components and to the Treasury bureaus on training, seminars, conferences, and workshops; and providing Intranet website information. The Officer coordinates reviews and evaluations of DO components, and of bureau programs, to ensure conformance with government-wide and Department records and information management standards. The Officer also partners with NARA on evaluations of Treasury programs.

The CMAPO has responsibility for the records management programs for the DO components. The Records Management and Resources Branch (RMRB) within this office administers the records management programs for all DO components. At the time of our review, the staff of this branch consisted of one Records Management Officer and two staff analysts, one of whom was a part-time employee.

The Records Management Officer within the RMRB is assigned to act as liaison to the DASIS/CIO, to oversee the records management program, and to serve as a point of contact for the Department Records and Information Management Officer. The Records Management Officer is also responsible for managing and ensuring the implementation of an appropriate records management program tailored to the organization's requirements.

The Office of the General Counsel (OGC) furnishes legal advice to the Secretary of the Treasury with respect to his responsibilities as chief financial officer of the Government and overseer of the

operating functions of the Department. As such, OGC also has a role in records management issues.

Findings and Recommendations

Finding 1 Records Management Policies and Procedures

We found that the DASIS/CIO had taken action to improve records management policies and procedures in accordance with regulatory guidance. At the time of our review, the Treasury Directives did not appropriately address recordkeeping when litigation is involved. In addition, we felt that the process used to communicate litigation actions and FOIA or congressional requests should be improved. We also found that CMAPO, at the bureau level, had not implemented procedures that complied with the Treasury Directives. Enhanced procedures would mitigate the potential for inappropriate disposition of records.

Records Management Policies

We found that while the Treasury Directives generally complied with regulatory requirements and addressed the findings in NARA's 1994 report, they did not include provisions for litigation-related requirements. Such provisions should be incorporated to further improve processes used by DO components to communicate litigation actions and FOIA or congressional requests. Also, although TD 80-05 included a requirement that bureau records management officers review all records triennially, and stated that the process for the reviews is included in the manual, we found that this was not the case.

Section 3102 of the Federal Records Act requires each agency to establish and maintain an active, continuing program for the economical and efficient management of records. Further, OMB Circular A-130 requires that, with the establishment of records management programs, agencies should ensure the ability to access records regardless of form or medium.

There were no specific references in TD 80-05 regarding litigation-related retention requirements. TD P 80-05 does contain several sections that mention legal requirements for records disposition, but these references provide limited information regarding when and how to retain records required for litigation. We were informed that when TD P 80-05 was initially drafted, such litigation information was included as a separate section. However, according to OITPS staff, on January 4, 2000, OGC instructed them to delete the section. OGC stated that, at that time, it was impossible to accurately summarize information of this nature because of the complexity of the law and pending and future litigation.

We found that, when communicating about litigation actions, OGC and the DASIS/CIO had taken measures to emphasize the importance of records management and preservation to the DO components and to the bureaus. OGC used memorandums, including some referred to as taskers, and global electronic messages to transmit information about litigation-related matters. For example, OGC sent a memorandum on December 8, 1999, with reference to specific litigation, instructing supervisors to inform employees to retain potentially responsive documents. Actions taken by OGC and the DASIS/CIO on the importance of records management and preservation during a February 2000 forum, and actions again during July 2000 with global electronic messages, were efforts towards improving controls over communicating records management initiatives.

Records Management Procedures

We also found that, at the time of our review, the CMAPO RMRB staff had not started to revise its internal records management procedures to comply with the Treasury Directives. Procedures in the branch were implemented during August 1995, prior to the issuance of the current Treasury Directives, which occurred during FY 2000.

At the time of our review, the Records Management Officer stated that, because of limited staff and low priority at a Departmental

level, revising procedures had not been given a high priority within RMRB. Revisions to the RMRB procedures issued during August 1995 were needed to address current records management practices, including litigation and electronic recordkeeping.

OMB Circular A-130 states that agencies shall ensure that records management programs provide adequate and proper documentation of agency activity and ensure the ability to access records regardless of form or medium. Additionally, NARA issued General Records Schedule (GRS) Number 20, *Electronic Records*, during 1995 to provide disposal authorization for certain electronic records and specified hard-copy (paper) or microform records that are integrally related to the electronic records.

Recommendations

1. The Acting Assistant Secretary for Management/Chief Information Officer should implement revisions to the Treasury Directives (TD 80-05 and TD P 80-05), to include provisions for litigation-related retention requirements in both and to include the process for triennial reviews in TD P 80-05. These policies and procedures, once implemented, should be incorporated as references and authorities by DO components and by the Treasury bureaus.

   Management Response

   The Information Technology Policy and Records Management Staff has been reviewing the Treasury Directives for update, with specific emphasis on electronic records management. The DASIS/CIO is also piloting a NARA-endorsed electronic recordkeeping system. Plans are to assess guidance on litigation-related retention requirements, and to post supplemental guidance on the triennial review process on the Treasury Intranet (TreasNet). These actions are expected to be completed by June 30, 2002.

Office of Inspector General (OIG) Comments

The OIG believes that the actions being taken and planned address the intent of the recommendation.

2. The Acting Assistant Secretary for Management/Chief Information Officer should require the Chief Management and Administrative Programs Officer to implement revised records management procedures in accordance with the Treasury Directives. Procedures should also address current records management practices, including litigation references and electronic recordkeeping guidance.

Management Response

The DO RMRB is developing a Records Management Handbook for DO and plans to issue it by September 2002. The Handbook will address current practices, including electronic recordkeeping and general litigation information, and will be made accessible on the Treasury Intranet.

OIG Comments

The OIG believes that the actions being taken and planned addresses the intent of the recommendation.

Finding 2 Records Management Program

We concluded at the time of our review that CMAPO RMRB should take additional action to comply with the Treasury Directives in developing an effective records management program.

In general terms, an effective records management program, as defined in the *Records Management Self-Evaluation Guide*, would include clear definitions of objectives, responsibilities, and authorities; sufficient resources to administer the program; training and guidance for staff; and periodic internal program evaluations to monitor compliance and program efficiency. Section 3102 of the Federal Records Act requires an agency to establish and maintain

an active, continuing program for the economical and efficient management of its records. Moreover, OMB Circular A-130 states that records management programs should provide adequate and proper documentation of an agency's activity, ensure the capability to access records regardless of form or medium, and provide training and guidance to program staff regarding their records management responsibilities.

Discussed below are three areas for which we believed additional action was warranted at the time of our review, i.e., staffing levels, training and guidance programs, and internal program evaluations. Contributing reasons cited for the lack of action in these three areas at that time were the low priority given to records management initiatives by the Department and the limited resources assigned to RMRB.

With reference to the level of priority, for example, it was not until 1999, when staff was notified of records retention requirements for several lawsuits that had been filed in prior years, that Departmental management seemed to increase emphasis on records management issues. Without an appropriate records management program, the integrity of a records management system could be compromised. Also, without adequate training and guidance, the potential exists for staff who are accountable for records to keep incomplete or inaccurate records, or to inadvertently discard records that should be retained.

Staffing Levels

At the time of our review, RMRB had not implemented an appropriate records management program because of limited resources and low priority.

The 1994 NARA study recommended, in part, that senior management make the appropriate staffing level changes in RMRB to effectively administer DO component records management practices. During 1997, DO created a task force that concurred with NARA's finding that RMRB was understaffed. The number of staff had not increased in the three years since the NARA study,

continuing to consist of a records officer/manager and three subordinate staff members.

Although there had been several attempts to address the NARA recommendations in the past, staffing shortages had not been addressed. When we began our review, RMRB staff consisted of a Records Management Officer and two staff assistants, one of whom was a part-time employee. Thus, staffing had actually decreased since the NARA study was conducted. In addition, Departmental priorities with reference to several lawsuits required the RMRB Records Management Officer's attention, such that other records management operations could only be performed as time allowed.

Training and Guidance Programs

At the time of our review, we felt that DO should enhance its training and guidance program. While there were opportunities for seminars, conferences, workshops, and briefings, we found that of the eighteen program staff members we interviewed, seven (39 percent) had not received training on the regulations and Treasury policies and procedures. Eight (44 percent) had received training from external sources, such as NARA; and three (17 percent) had received internal training, but not until June or July 2000. The training during these two months occurred because of a shift in priority by senior management and because of litigation that involved the Department. Further, a small percentage of the staff members interviewed had only limited awareness of records management policies and procedures, and were not aware of when records should be scheduled for retention or disposal.

In general terms, the *Records Management Self-Evaluation Guide* states that an effective management program requires the inclusion of timely and continuing training and guidance for program or records officers, and for others with regular records management duties. The guidance also requires that records management liaisons, secretaries, file clerks, and those program staff with regular records management duties receive guidance and training in records maintenance and filing procedures and records disposition.

Although at the time of our review DO, in the context of lawsuits that had been filed, had made some efforts to train its responsible staff, we believed that the Department should make records management a higher priority and hold managers and supervisors accountable for implementing and administering an effective records management program.

Internal Program Evaluations

NARA has conducted several studies of DO's records management practices and responsibilities, with the latest report issued during October 1994. That report recommended that the Department implement an effective records management program with adequate staff to conduct internal program evaluations.

At the time of our review, however, periodic internal program reviews had not been conducted. The RMRB Records Management Officer told us that, along with assisting the program offices in preparing their records schedules, inventories, and file inventories, some attempts were starting to be made to conduct assessments of program office records.

Recommendation

3. The Acting Assistant Secretary for Management/Chief Information Officer should require the Chief Management and Administrative Programs Officer to establish an effective records management program that complies with regulatory requirements and with the Treasury Directives, by taking actions such as (a) allocating adequate resources, including sufficient staffing; (b) providing appropriate training and guidance; and (c) conducting periodic internal program evaluations.

   Management Response

   The CMAPO initially addressed staffing by detailing experienced staff to the Records Office. Then, during July and August of

2001, the CMAPO appointed a Chief Records and Information Manager (GS-15) and a Senior Records Analyst/Agency Records Officer (GS-14) to lead the Records Management Team. DO management believes that the program is better staffed to work at instituting controls and techniques to help ensure a more effective and efficient records management program.

Among the many other actions taken to strengthen the records management program are providing records-related briefings and assistance to departing political appointees and their staffs; facilitating sessions on records management for Treasury and bureau executives, managers, and employees; designating staff members to serve as Customer Service representatives for each DO component; and developing a comprehensive Project Improvement Plan for FY 2002.

In addition, the DO Management and Administrative Programs (DO/MAP) Records Office held a Records Coordinators Symposium during April 2001, and hosted a briefing for all DO records managers and coordinators during November 2001, as part of its newly-instituted series of briefings or workshops to keep staff aware of changes in recordkeeping practices. NARA and CIO-sponsored training was also provided to all DO/MAP records management staff.

DO continues to enhance its approach to internal program evaluations, in part by working to develop specific measures that benchmark past performance, expectations, and accomplishments. In addition, the NARA *Records Management Self-Evaluation Guide*, which is on the Treasury Intranet, was introduced at the Records Coordinators Symposium to allow each office to assess its records management program and procedures. Plans are for the initial evaluation process to be completed within the year, and annual evaluations to be conducted thereafter.

OIG Comments

The OIG believes that the actions taken address the intent of the recommendation.

Finding 3 Records Schedules

At the time of our field work, the *Requests for Records Disposition Authority*, Standard Forms (SF) 115, referred to as records schedules, were not current and needed revision. For example, since NARA had approved one office's last SF 115, that office had stopped using some of the types of records listed in its records schedule. Another office had changed retention periods for some of its records and did not have some records scheduled on the SF 115. Additionally, one office did not have an SF 115 in place at the time of our review.

NARA, 36 CFR 1222.20, *Agency responsibilities,* states that each Federal agency shall review recordkeeping requirements, as part of the periodic information resources management reviews required by 44 USC 3506, or the periodic records-management evaluations required by 36 CFR 1220.54, in order to validate that they are current and to ensure that recordkeeping requirements are being implemented. Also, 36 CFR 1228.22, *Developing records schedules,* states that agencies should prepare an inventory of records, including a description of their medium, location, volume, inclusive dates, informational content, and use. Furthermore, 36 CFR 1228.24, *Formulation of agency records schedules,* states that an SF 115 shall include only new records not covered by the GRS, deviations from the GRS, or previously scheduled records requiring changes in retention periods or substantive changes in description.

TD 80-05 states that the bureau records management officers shall review all records schedules triennially to ensure that new categories of records are scheduled, that discontinued categories of records are eliminated, and that retention periods are altered where appropriate. In addition, TD 80-05 states that triennial reviews should be made to determine compliance with Federal

records management regulations and provide the Department's Records and Information Management Officer the required documentation to conduct DO reviews.

We found that two of the four SFs 115 that we reviewed were not current and needed revision. In addition, one office needed to prepare an SF 115.

First, the SF 115 for the Office of the Assistant Secretary for International Affairs (OASIA) was not current. The OASIA Office of Trade Finance informed us that it no longer used some of the records included on the existing SF 115. Also, the OASIA Offices of Trade Finance and of Multilateral Development Banks had not prepared inventories of their program records. These offices had not been given guidance on preparing the file inventories until August 2000.

Second, the SF 115 for the Office of the Under Secretary for Enforcement was not current. The Office of Enforcement Correspondence Unit had reassessed some of the retention periods used in its 1979 SF 115 and decided to change a few. 36 CFR 1228.32, *Request to change disposition authority,* states that agencies proposing to modify the retention period of a series or system of records shall submit with the SF 115 an explanation and justification for the change. Also, the Correspondence Unit's FOIA and Reports and Publication files were not scheduled on the 1979 SF 115.

Additionally, we found that OASM/CFO did not have an SF 115 in place at the time of our review. The Records Management Officer was working with the office to assist it in developing an SF 115.

In addition to the required revisions and/or the need for new records schedules previously discussed, we believed at the time of our review that DO should determine how electronic records would be scheduled, to ensure proper disposal of records maintained in electronic media. Since the last SFs 115 were approved for DO components and the August 1995 issuance of GRS 20, DO had not revised the SFs 115 for these offices to include electronic records.

GRS 20 provides disposal authorization for certain, but not all, electronic records and for specified hard-copy (paper) or microfilm records that are integrally related to the electronic records. If DO decides to apply a different retention period for any series of electronic records covered by GRS 20, DO should revise or prepare new SFs 115, as applicable.

At the time of our field work, the Records Management Officer had not conducted reviews of the SFs 115 to identify new records series that should have been scheduled or changes in recordkeeping practice that would have required records schedule revisions, the aforementioned offices had not updated current, and/or prepared new, SFs 115. The Records Management Officer informed us that staffing shortages prevented reviews from being conducted to identify records schedule changes and to provide guidance on preparing file inventories.

Recommendation

4. The Acting Assistant Secretary for Management/Chief Information Officer should ensure that the Chief Management and Administrative Programs Officer continues efforts to prepare file inventories, to update existing SFs 115 and/or to prepare new SFs 115, and to conduct triennial reviews of the SFs 115.

   Management Response

   New and revised records schedules were drafted and sent to NARA for review and appraisal on March 12, 2001. The RIPT is working closely with NARA to complete the pre-appraisal process, having taken actions such as conducting inventories of more than 200 offices within DO.

   OIG Comments

   The OIG believes that the actions taken address the intent of the recommendation.

Finding 4 Disposition of Records

At the time of our review, DO had on hand records that were scheduled for destruction onsite or at a Federal Records Center (FRC). Also, DO components had not transferred records to NARA or to the FRC in accordance with existing records schedules. Records that are scheduled for destruction, but are retained beyond the scheduled dates, may cause an agency to incur excessive storage costs.

According to 36 CFR 1220.38, *Disposition of records,* agencies must ensure the proper, authorized disposition of their records, regardless of format or medium, so that permanent records are preserved and temporary records no longer of use to an agency are promptly deleted or disposed of in accordance with approved records schedules when the required retention period expires. This section of the CFR also states that, as an intermediate step, when records are not needed for current day-to-day reference, they may be transferred to a records storage facility.

DO did not dispose of its records according to the schedules due to several ongoing lawsuits. At the time of our review, DO had implemented a freeze on some of its records. Employees, however, did not dispose of records that were not responsive to litigation. Offices did not seek waivers to dispose of such records.

We found that the following four of the six offices that we selected for review had records onsite that were scheduled for retention at, and should have been sent to, another location.

- Office of the Assistant Secretary for Public Affairs.
- Office of the Deputy Assistant Secretary for Fiscal Operations and Policy.
- Office of Trade Finance.
- Office of Multilateral Development Banks.

Public Affairs had press conference transcripts and press speeches that should have been offered to NARA because, according to its general records schedule, the documents were considered

permanent. Fiscal Operations and Policy also had documentary materials that were scheduled as permanent and should have been transferred to NARA. Both Trade Finance and Multilateral Development Banks had records that should have been transferred to the FRC.

A memorandum from the OGC Deputy Counsel, dated December 8, 1999, regarding a specific lawsuit, advised the Under, Assistant, and Executive Secretaries to inform their personnel and the FRC that all DO records potentially relevant to the litigation must be retained until further notice. Further, the memorandum stated that it was the Secretaries' responsibility to identify for the FRC which records must be retained.

Although the memorandum stated that records potentially relevant to the litigation must be retained, employees did not adequately dispose of records that were not responsive in accordance with the records schedules.

In a memorandum to the Records Management Officer, dated February 11, 2000, NARA acknowledged that it had instituted a nationwide freeze on the destruction of all records of the Treasury components and bureaus that were in the physical custody of the FRC system. Further, the memorandum stated that the Department was being assessed storage and service charges for all of the records it stored at FRC facilities.

Until the scope of this freeze is narrowed, DO holdings will increase because new accessions will continue to be retired to the FRC system, but older accessions that are otherwise eligible for disposal will not be destroyed. Consequently, DO storage and service charges will increase.

If DO components do not dispose of non-litigation records that should be destroyed, DO will incur unnecessary charges. Subsequent destruction of records outside of the normal destruction period, depending on the timing, could also give the appearance of impropriety.

We were unable to readily determine whether records at the FRCs and those maintained at DO component sites were responsive to litigation. However, the Records Management Officer informed us that, at the time of our review, DO had 362 cubic feet[4] of records that would otherwise be eligible for destruction for Calendar Year 2000 at the FRC on hold because of the litigation freeze on records.

During FY 2000, NARA began charging agencies for storage and service costs for agency records maintained at its FRC facilities. Yearly storage and service charges are $1.96 and $1.38, respectively. This results in a total cost of $3.34 per cubic foot. Costs associated with retention of the 362 boxes of records stored at the FRC would be $1,209 during FY 2001.[5]

As more records reach the retention periods designated in the records schedules but are not destroyed, costs to the Treasury may escalate. Costs incurred for storage and service charges could be put to better use by the Department.

DO management advised us that, in the overall context of records retention requirements for litigation, Treasury has no choice but to retain these documents, whatever the storage costs may be, and that records must be very carefully researched and reviewed before any determinations of waivers can be made. Such reviews would require resources from DO/MAP and experts from each of the program offices, with assistance from OGC.

While records retention costs are a concern when considered on a Treasury-wide basis, these costs will continue to be borne by the Department until such time as the litigation is adjudicated, or until the Court rules otherwise. Although NARA officials told us that some agencies are attempting to have the parties that have requested that records be retained; i.e., the Justice Department or, in some cases, the plaintiffs; pay the costs associated with storing

[4] The standard records box accepted by the FRC measures one cubic foot.

[5] Costs incurred in this area by DO and BPD are relatively small when compared to those at FMS, with a total amount of close to $400,000 for FY 2001.

records, this is not a course of action that Treasury plans to pursue.

It is our understanding that once the constraints of litigation are lifted, Treasury management plans to resume the proper disposition of records on an ongoing, structured basis, in accordance with each office's records schedule.

Because of the circumstances surrounding current litigation, we defer to the decision of senior management to take a cautious approach regarding records retention, and make no further recommendations at this point.

* * * * * *

We would like to express our appreciation to DO for the cooperation and courtesies extended to our staff during the review. If you have any questions, please call me at (202) 927-6512 or Maria V. Carmona, Audit Manager, Banking and Fiscal Service, at (202) 927-6345. Major contributors to this report are listed in Appendix 3.

Donald R. Kassel
National Director, Banking and Fiscal Service

The objectives of the audit were to determine whether DO had implemented applicable records management policies and procedures in accordance with regulatory guidance, and to evaluate whether DO components had controls in place that would allow for authorized, timely, and appropriate disposition of records. In addressing the first objective, we also considered whether procedures regarding litigation activities would enable program staff to appropriately communicate the need for records information and to retrieve documents required for litigation and for FOIA and congressional requests prior to disposition.

Our audit work focused on policy formulation by DASIS/CIO, OITPS, and on operations of records management programs by the CMAPO RMRB. We obtained and reviewed the applicable records management systems policies and procedures at DO using a checklist developed for that purpose. We also evaluated the controls implemented to ensure authorized, timely, and appropriate disposition of documentary materials by conducting interviews and inventory assessments at six selected program offices.

It should be noted that this review was not part of the OIG Annual Plan for FY 2000, but rather was initiated, in part, based on the results of prior audit work[6] and in response to concerns raised about the disposal of historical records during pending litigation. Also, the Department's OGC had expressed interest in this matter.

As part of this multi-bureau review of controls over records management, we conducted audit work at DO components, at FMS in Washington, D.C., and in Hyattsville, Maryland; and at BPD's Washington, D.C., and Parkersburg, West Virginia, locations. This report reflects the results of our work at DO. We plan to issue separate reports for FMS and BPD.

[6] Report titled *Financial Management Service's Deposit Fund Accounts Used for the Implementation of the Competitive Equality Banking* Act, OIG-00-088, issued on May 30, 2000.

We started our field work during April 2000 and completed onsite work at the three organizations during January 2001. We conducted our audit in accordance with generally accepted government auditing standards.

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

NOV 15 2001

MEMORANDUM FOR DONALD R. KASSEL
NATIONAL DIRECTOR, BANKING AND FISCAL SERVICE
OFFICE OF THE INSPECTOR GENERAL

FROM: James J. Flyzik
Acting Assistant Secretary for Management
and Chief Information Officer

SUBJECT: Review of Controls over Records Retention and Destruction at Departmental Offices

Pursuant to Treasury Directive 40-01, the Departmental Offices (DO) of the Department of Treasury submit this memorandum in response to the draft report entitled, *Review of Controls Over Records Retention and Destruction at Departmental Offices*, dated October 1, 2001 (hereinafter referred to as the OIG Report).

We appreciate the opportunity to comment on the draft report. However, the Deputy Assistant Secretary for Information Systems/Chief Information Office (DASIS/CIO) staff was not a participant at your exit conference to comment on your findings. Since the time of the entrance conference, the DASIS/CIO has taken measures to strengthen the Treasury-wide records management program as reported in this memorandum and the attachment.

This report combines management responses from the DASIS/CIO, the Chief Management and Administrative Programs Officer (CMAPO), and the Office of the General Counsel. As mentioned in the report, the CMAPO has commenced efforts to improve the program in the areas cited for staffing, training and internal program evaluations. The responses listed below each of your findings and recommendations should be taken into consideration when preparing your final report. Since the time of your meeting with the CMAPO on April 25, 2001, we have taken considerable steps to address the recommendations cited. A comprehensive Project Improvement Plan has been developed and our efforts for program improvement are ongoing.

Finding 1 - DO Should Improve Its Records Management Policies and Revise Its Records Management Procedures

Recommendation 1 - The Assistant Secretary for Management/Chief Financial Officer should implement revisions to the Treasury Directives (TD 80-05 and TD P 80-05), to include provisions for litigation-related retention requirements in both and to include the process for triennial reviews in TD P 80-05. These policies and procedures, once implemented, should be incorporated as references and authorities by DO components and by the Treasury bureaus.

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Management Response

The DASIS/CIO is responsible for providing records management leadership, policy, oversight, and guidance to the Treasury bureaus and the CMAPO. For purposes of clarity, we recommend that you not use DO to describe the policy and bureau level programs, but rather, use DASIS/CIO and CMAPO to minimize confusion. For instance, in your transmittal memorandum you state, "DO has completed work towards developing the appropriate records management policies and procedures." However, it is the DASIS/CIO that developed and distributed the records management policy and guidance manual.

You also state that further action should be taken to strengthen the records management program. Realizing the increased attention and importance to records management, the DASIS/CIO has facilitated a number of activities to strengthen records management throughout Treasury since your entrance conference. For example, the DASIS/CIO reorganized and established a separate IT Policy and Records Management function and hired personnel with records management expertise to provide leadership to Treasury bureaus and offices on records management. In addition, the DASIS/CIO:

- Partnered with the Office of General Counsel to facilitate four records management training seminars for Treasury and bureau executives, managers, and employees as a result of the *Cobell* litigation in FY 2000 and participated with DO records management staff in exit briefings on removal of records for political appointees;

- At the request of the former Deputy Assistant Secretary for Administration, developed a two-year, no-cost, Memorandum of Understanding (MOU) between DO and the National Archives and Records Administration (NARA) for records management assistance which includes records inventorying, scheduling, and training, and provided a DASIS/CIO resource to participate on the DO Records Improvement Project Team (RIPT) created by the CMAPO in August 2000;

- Revitalized the bureau records management officers working group by planning and conducting monthly meetings, facilitating seminars and/or training on records issues, and designated the CIO at the Bureau of Engraving and Printing as the records management "champion" for Treasury;

- Developed and distributed a records management charter that establishes a records management subcommittee under the Treasury CIO Council (currently waiting approval);

- Conducted evaluations of bureau records management programs to determine strengths, weaknesses, and opportunities;

- Sponsored a records management module at the Treasury IT Conference in FY 01;

- Currently piloting a NARA-endorsed electronic recordkeeping system to assist with managing emails and electronic records; and
- Developing, with assistance from the Office of General Counsel and DO Records Management Staff, training and awareness materials on managing email records.

In terms of training, the bureau Records Management Officers (RMOs) made a collaborative decision to sponsor a Treasury-wide conference every two years. Subsequently, the RMOs decided that they could facilitate an annual conference if it were integrated with the Treasury IT Conference. However, the records management track that was planned for the FY 2000 IT Conference did not occur because the Conference was postponed. For FY 2001, we sponsored an electronic records module at the IT Conference. Nevertheless, the RMOs have held preliminary discussions for a records training/awareness joint venture for Records Management Week in April 2002.

The DASIS/CIO will continue to strengthen the Treasury-wide Records Management Program. We drafted a memorandum for all Treasury employees on records management for the Secretary's signature. We plan to initiate this action again as required by the NARA evaluation. Since June 2001, the IT Policy and Records Management Staff has been reviewing the directive and manual for update, with specific emphasis on managing electronic records management. We will assess, with feedback from the Office of General Counsel, our previous litigation-related retention requirements chapter. We can also provide supplemental guidance to conduct triennial reviews of records control schedule in the manual; however, we would prefer to post tools of this type on TreasNet. Manual revisions can take as long as two years to complete. Based on the significant activities and improvements in the DASIS/CIO Treasury-wide Records Management Program, we suggest that this recommendation be closed.

Finding 2 – DO Should Implement an Effective Records Management Program

Recommendation 2 –The Assistant Secretary for Management/Chief Financial Officer should require the Chief Management and Administrative Programs Officer to implement revised record management procedures in accordance with the Treasury Directives. Procedures should also address current records management practices, including litigation references and electronic record keeping guidance.

Management Response

The Management and Administrative Programs (MAP) Records Management Program is responsible for providing guidance in maintaining proper record keeping practices for the Departmental Offices. A Records Management Handbook is being developed to provide instructions to supervisors, professionals, and administrative services on general records management policies and procedures. The handbook will be made accessible on the agency Intranet to supplement links to CIO and NARA Web pages. This handbook will address current

DO/MAP records management practices to include electronic recordkeeping and general litigation information.

Recommendation 3 – The Assistant Secretary for Management/Chief Financial Officer should require the Chief Management and Administrative Programs Officer to establish an effective records management program that complies with regulatory requirements and with the Treasury Directives, by taking actions such as (a) allocating adequate resources, including sufficient staffing; (b) providing appropriate training and guidance; and (c) conducting periodic internal program evaluations.

Management Response

Staffing

In August 2000, during his first week in this position, the Chief Management and Administrative Programs Officer (CMAPO), recognizing the critical resource needs of this program, detailed two management analysts from other MAP offices, each with federal records experience, to augment the Records Office staff of three. The Records Improvement Project Team (RIPTeam), which included a senior records analyst from the DASIS/CIO IT Policy and Records Management Office, began immediately to work with National Archives and Records Administration (NARA) appraisal archivists under the terms of the two-year MOU to assist DO with training, inventorying, scheduling, implementation and quality assurance. During files inventorying, the RIPTeam identified a specific administrative contact for each DO office to become the designated records [liaison] coordinator. This network of coordinators is now the focus of the DO/MAP Records Office program's customer services initiatives.

In July and August 2001, a significant improvement in staffing occurred when the CMAPO appointed a Chief Records and Information Manager (GS-15) and a Senior Records Analyst/Agency Records Officer (GS-14) to lead the Records Management Team. The Senior Records Analyst has begun strengthening the DO Records Management program by focusing on total program/project management with projected dates for improvement actions in essential targeted program areas. The DO/MAP Records Management program is now staffed to work at instituting controls and techniques to help ensure the efficient and effective management of the DO Records Management program and, most importantly, to serve its customers, the officials and employees of Departmental Offices. The program staff has already made significant strides in improving overall program management.

In addition, DO/MAP have taken strides and made significant accomplishments in the following areas to improve and strengthen the DO Records Management program.

- Presented two briefings in December 2000 and January 2001 on "Removal of Records" for departing officials/employees. RIPTeam members visited every major program office to ensure departing officials were fully consulted about their records responsibilities. NARA applauded this initiative.

- Provided on-site assistance to all departing political appointees and their staffs on their records management responsibilities;

- Facilitated briefing with assistance from NARA at the request of the former Under Secretary for Enforcement to brief him and his direct-report executives on their responsibilities for managing their federal records;

- Hosted an informative Records Symposium commemorating National Records and Information Management Week in April 2001. The RIPTeam briefed DO managers and records coordinators on the following topics: recordkeeping practices, self-evaluation of office records, records accessioning procedures, and the schedule for attendees to forthcoming training visit at the Washington National Records Center. In addition, an OGC attorney discussed legal aspects of records including obligations to retain certain documents;

- Co-sponsored with the DASIS/CIO IT Policy and Records Management staff records management training by NARA at the National Archives in July 2000 for over 200 DO records coordinators and DO employees focusing on how to conduct an inventory;

- Developed and are continuously improving the DO Intranet page with appropriate links to CIO, NARA, as well as records-professional Web sites: http://home.do.treas.gov/isd/records.htm;

- Designated a DO/MAP records analyst to serve as a Customer Services representative for each DO office. The Customer Services representatives provide total customer service in all aspects of the office's life cycle of records;

- Promoted DO Records program by use of NARA posters and MAP posters focusing on "Customer Service is the Core of Our Business" that provides names and contacts for each Departmental Office;

- Developed a comprehensive Project/Program Improvement Plan for FY 2002 and presented it to the CMAPO for implementation, outlining goals and strategies for program improvement;

- Inventoried more than 200 offices within DO. These inventories are part of the pre-appraisal review with the NARA appraisal archivist; and

- Drafted initial schedules for all DO offices and forwarded to NARA for review, comment and on-site appraisal.

Ongoing efforts:

- Working under the MOU with NARA for inventorying, scheduling and appraisal of offices;

- Developing enhancements to http://home.do.treas.gov/isd/records.htm, the agency Intranet, to promote awareness to supplement office visits and quarterly briefing and workshops;

- Completion of NARA Evaluation recommendations; and

- Working with the Continuity Of Operations Planning Team of the CIO's Office of Critical Infrastructure to assist DO offices in identifying vital records as part of emergency preparedness planning.

Training and Guidance Programs
The DO/MAP Records Office held a symposium on March 29, 2001, with the network of record coordinators, which focused on RIPTeam progress, establishing file plans, and continuing education training and record management awareness. In addition, three program offices have established full-time record analyst positions, including, the Office of Foreign Assets Control (OFAC). In November, the DO/MAP Records Management office hosted a briefing for all DO records managers and coordinators, as part of its newly instituted series of quarterly meetings, briefings or workshops to keep staff responsible for office records abreast of changes in record-keeping practices.

NARA and CIO-sponsored training was provided to the all DO/MAP Records Management Staff. The courses and conferences attended in FY01 were:

- NARA Records Administration Conference
- Using Washington National Records Center Services (with DO records coordinators)
- Introduction to Records Management
- Records Scheduling & Disposition
- Records Clerk Workshop
- Preserving the Physical Evidence of Artifacts and Records
- Managing Electronic Records
- Strategizing Electronic Records Management in the GPEA Environment
- Treasury IT Conference sponsored by the DASIS/CIO, which included a session on e-records issues; and
- Project Management for Records Officers also sponsored by the DASIS/CIO

Internal Program Evaluations
A successful records management program periodically monitors and revises its practices and procedures to ensure compliance with appropriate policies, regulations and good business practices. To evaluate the DO Records Management program, we will develop (1) specific measures that benchmark past performance, expectations, and accomplishments; (2) tools and techniques to determine or measures the level of satisfaction of DO customers; and (3) baselines for measuring program improvement.

The NARA "Records Management Self-Evaluation Guide" is on the Treasury-wide Intranet and

was introduced by the RIPTeam at the Records Coordinators Symposium on April 4, 2001, to allow each office to evaluate its records management program and procedures. Based upon this guide, a Web-based survey for each coordinator will be conducted before each quarterly symposium in order to introduce, within the year, a complete evaluation process, including training, files maintenance and records disposition. Annual evaluations will be conducted thereafter.

Finding 3 – DO Should Update Its Current Records Schedules and/or Prepare New Records Schedules

Recommendation 4 – The Assistant Secretary for Management/Chief Financial Officer should ensure that the Chief Management and Administrative Programs Officer continues efforts to prepare file inventories, to update existing records schedule (SF 115s) and/or to prepare new schedules, and to conduct triennial reviews of the schedules.

Management Response

New and revised records schedules were drafted for Departmental Offices and sent to NARA for review and appraisal on March 12, 2001. The RIPTeam is currently working closely with NARA to complete this pre-appraisal process. It should be noted that major changes in political leadership and office reorganizations at DO within the last year had an effect on the pace of the record scheduling process. However, the pre-appraisal process is now back on track. Review and approval of each office's schedule is dependent on both NARA and the DO RIPTeam.

Finding 4 – DO Should Appropriately Dispose of Its Records in Accordance with its Existing Records Schedules.

Recommendation 5 - The Assistant Secretary for Management/Chief Financial Officer should require the Chief Management and Administrative Programs Officer to notify DO components to dispose of records deemed not responsive to litigation in accordance with the records schedules, once legal counsel grants waivers.

Recommendation 6 – The Assistant Secretary for Management/Chief Financial Officer should require the Chief Management and Administrative Programs Officer to inform the Federal Records Centers to destroy records deemed not responsive to litigation in accordance with the records schedules, once legal counsel grants waivers.

Management Response

Your report mentioned that NARA instituted a nationwide freeze on the destruction of all records of the Treasury components and bureaus that were in the physical custody of the Federal Records Center system. This was a "catchall" approach due to Treasury investigation of inappropriately

disposing of records regarding a specific lawsuit. Given the fact that the Department of Treasury is still operating under a contempt finding in *Cobell, et al. v. Norton*, Civ. No. 96-01285 (RCL) (D.D.C.), as well as specific Court Orders to preserve any potentially relevant document, the mention of incurred fees of $1,209 per month for 362 cubic feet of records stored at the Washington National Records Center (WNRC) due to the records destruction freeze is truly minor. Given the litigation, Treasury has no choice but to retain these documents, whatever the storage cost may be.

The records frozen at the WNRC must be researched and reviewed before any determinations of waivers from OGC can be made. There must be an absolute "error free" review of these records. This requires not only resources from the DO/MAP Records Management Team, but also experts from each of the program offices with assistance from OGC.

If you have any comments or questions, please contact Mike Conklin, Chief Records and Information Manager, Information Services Division (DO/MAP), 202-622-0980. The CIO point of contact is Gladys Myatt, Assistant Director, Information Technology Policy and Records Management (DO/DASIS/CIO), 202-622-1524.

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