

REPORT
ON
PERFORMANCE AUDIT
CONTINUITY OF OPERATIONS PLAN

PERFORMED FOR
FEDERAL HOUSING FINANCE BOARD
OFFICE OF INSPECTOR GENERAL (OIG)
OIG REPORT NUMBER 07-A-04-OM/OGC

UNDER
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FEDERAL HOUSING FINANCE BOARD

PERFORMANCE AUDIT

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SECTION I

INDEPENDENT ACCOUNTANTS' REPORT

INDEPENDENT ACCOUNTANTS' REPORT

**Federal Housing Finance Board
Office of the Inspector General**

Introduction

We have conducted a performance audit of the Federal Housing Finance Board's (FHFB) Continuity of Operations Plan ("COOP" or "Plan") dated June, 2007 in accordance with generally accepted government auditing standards. Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable assurance 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.

Objectives, Scope and Procedures

This performance audit was conducted to achieve the following objectives:

- To review the COOP to determine if it is in compliance with current Federal guidance and Best Practices;
- To determine whether or not management and staff are adequately involved in the planning and development of the COOP;
- To assess whether the COOP was properly communicated to all FHFB staff;
- To identify any sections of the COOP that have not yet been implemented; and
- To determine whether the COOP has been fully implemented.

In performing our work we examined compliance of FHFB's COOP with key guidance contained in the Federal Emergency Management Agency (FEMA), Federal Preparedness Circular (FPC) 65, dated June 15, 2004; reviewed for inclusion, in the planning and development of the Plan and its communication, key members of the FHFB Board and staff; and performed procedures to determine the implementation status of major elements of the Plan.

The performance audit included: interviews of appropriate FHFB personnel that were involved in the planning and development of the COOP; review and substantiation of documentation supporting the COOP implementation; re-performance or confirmation of certain FHFB procedures performed during the period October 1, 2006 through August 31, 2007; and review of FHFB's COOP for compliance with Best Practices, as detailed in Section V of this report.

More detailed information on the Objectives, Scope and Procedures is contained in Section III of this report.

INDEPENDENT ACCOUNTANTS' REPORT (continued)

Findings And Recommendations

The following Findings and Recommendations resulted from our performance audit. Each Finding is discussed in greater detail in Section IV, Findings.

In general, it appears that:

- The COOP is mostly compliant with Federal guidelines and Best Practices, however, there are areas where improvements can be made to enhance compliance, as noted by Findings 2, 3, 4, 5, 9, and 11;
- FHFB management and staff were adequately involved in the planning and development of the COOP, except as noted by Finding 8;
- The COOP was properly communicated to FHFB personnel. However, the communication of certain areas can be improved, as noted by findings 1, 6, 7, and 10 below; and
- Key sections have been implemented, except as noted by Finding 8.

Finding 1: Interdependencies to Perform Essential Function(s) Not Stated

Recommendation: The COOP document should identify interdependencies with other agencies and resources or functions controlled by other organizations to avoid excluding critical activities required to perform the essential function(s) of the agency. This will also ensure that the same activities are not performed by an external entity and duplicated in FHFB. At a minimum, the COOP should include the key information available in this regard in the activation plans.

Finding 2: Duration for Sustainability of Operations Not Stated

Recommendation: FHFB should incorporate appropriate narrative in the COOP to ensure that operations will be maintainable for a minimum number of days. This could be based on the best estimate of how many days might be required to reconstitute normal business activities.

Finding 3: Complete Guidance Needed for Returning to Normal Operations

Recommendation: The COOP should clearly delineate the process that is required to revert the succession of key positions and transition FHFB operations from continuity operations back to normal operations.

Finding 4: Procedures Needed for Updating and Pre-Positioning Vital Records

Recommendation: FHFB should establish and incorporate specific procedures and establish minimum requirements and timeframe intervals for protecting and regularly updating pre-positioned records and data at the Emergency Operations Center, including hardcopy documents, to preclude the possibility of having data that is not up-to-date.

INDEPENDENT ACCOUNTANTS' REPORT (continued)

Findings And Recommendations (continued)

Finding 5: Numerous Processes Identified as Essential Activities

Recommendation: FHFB's Office of Management (OM) should review and re-evaluate the critical business processes that are listed in its activation plan to assess which functions are actually essential in a COOP event. A reduction in the number of critical activities included in the activation plan will assist FHFB in concentrating on mission-critical activities only, and increase the deployment of resources to the truly critical processes during a COOP event.

Finding 6: Quarterly Testing of Alert, Notification and Activation Procedures Not Documented

Recommendation: FHFB should monitor and document the quarterly performance of the tests included in the COOP, and the documentation should be retained as evidence of performance of the tests. The timelines specified in the COOP, in accordance with Federal guidelines, should be adhered to.

Finding 7: Annual Awareness Briefing Not Performed in Accordance With Federal Guidelines

Recommendation: FHFB should include COOP awareness briefing as part of its annual training for the entire workforce in accordance with Federal guidelines.

Finding 8: Activation Plan for the Office of General Counsel Not Prepared

Recommendation: Office of General Counsel should develop a departmental activation plan as soon as possible to ensure that it is in a position to provide the necessary support during a COOP event.

Finding 9: Interdependence with Other Plans and Policies Not Clearly Defined

Recommendation: The COOP, Pandemic Flu Plan, and Telework Policy should be revised to include interdependencies among these plans. These documents should include the dependencies and relationships amongst the plans as a part of an overall emergency preparedness strategy. FHFB should consider testing the Pandemic Flu COOP event on an agency-wide basis to increase its confidence in the telework system and infrastructure, and telework should be considered for integration in the COOP processes to improve the efficiency and effectiveness during a COOP event.

Finding 10: Review For Consistency Needed

Recommendation: The COOP should be reviewed to remove inconsistencies in the document and the use of decision and action trees should be considered to develop a more readily understandable document.

INDEPENDENT ACCOUNTANTS' REPORT (continued)

Findings And Recommendations (continued)

Finding 11: Available COOP Self-Assessment Tool Not Used to Evaluate Plan

Recommendation: FHFB should use the FEMA Self-Assessment tool to ensure compliance with Federal guidelines. To provide objectivity, persons other than those responsible for preparation of the Plan should complete this tool. Areas of non-compliance should be reviewed by higher levels of management in FHFB to ensure that any deviations from the FEMA recommended standards are approved.

Limitations And Restrictions

Use or reliance on the information set forth in this report requires an understanding of the subject matter to which this performance audit relates. Accordingly, this report is solely for the information of the FHFB's Office of the Inspector General. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Deva & Associates, P.C.

September 20, 2007

Certified Public Accountants

SECTION II

BACKGROUND

BACKGROUND

Background

It is the policy of the United States to have in place a comprehensive and effective program to ensure continuity of essential Federal functions under all circumstances. As responsible and reliable public institutions, agencies have a fundamental mission to implement plans for continuity of operations. Today's changing threat environment and the potential emergencies including acts of nature, accidents, technological emergencies, and terrorist attack related incidents, have increased the need for a Continuity of Operations Plan (COOP) that enables agencies to continue their essential functions across a broad spectrum of emergencies. This, coupled with the potential for terrorist use of weapons of mass destruction, has emphasized the importance of COOP programs that ensure continuity of essential government functions across the Federal Executive Branch. Responsibility for formulating guidance on these plans and for assessing executive branch COOP capabilities lies with the Federal Emergency Management Agency (FEMA), within the U.S. Department of Homeland Security. FEMA guidance, Federal Preparedness Circular (FPC) 65, issued in July 1999, provided elements of a viable COOP capability, including requirements that agencies identify their essential function(s) and maintain an alternative site for relocation of critical personnel and activities in a COOP event.

In June 2004, FEMA issued an updated version of FPC 65, providing additional guidance to agencies. According to the guidance, an agency must identify an alternative site that provides sufficient space for relocated personnel to perform essential agency functions during a COOP event. It also directs agencies to identify the level of staff and resources required at the alternate facility. The 2004 version of the FPC 65 also states that agencies should consider telework or work-at-home as an option in their COOP planning. Although FPC 65 does not require agencies to incorporate telework in their plans, using this option can allow employees to contribute to the performance of agency essential functions without having to physically relocate to an alternate operating facility. The Government Accountability Office (GAO) regards telework as an important and viable option for Federal agencies in continuity planning and implementation efforts, especially as the duration of emergency event is extended.

FHFB is an independent, non-appropriated agency in the Federal Executive Branch of the United States Government that regulates and has supervisory oversight responsibility for the 12 regional Federal Home Loan Banks (FHLB) that make up the Federal Home Loan Banks system. The Office of Inspector General (OIG) is responsible for the conduct of audits and investigations in accordance with generally accepted government auditing and investigative standards. OIG may also conduct audit or investigative activities at the 12 FHLBs and other related entities when: (1) directed to do so by the Chairman, (2) necessary to obtain information on FHFB's administration of its programs, and (3) aimed at detecting fraud or inefficiency in FHFB programs' administration or operations. OIG has decided to review FHFB'S plans for continuity of operations, and report the findings and their recommendations to improve the agency's preparedness in an emergency situation or event.

SECTION III

OBJECTIVES, SCOPE AND PROCEDURES

OBJECTIVES, SCOPE AND PROCEDURES

Objectives

Deva & Associates P.C. (D&A) was engaged by the FHFB OIG to conduct a performance audit of the agency's COOP in accordance with generally accepted government auditing standards. This work will provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The government auditing standards require that we plan and perform the work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives and work performed.

The performance audit had the following objectives:

- To review the COOP to determine if it was in compliance with current Federal guidance and Best Practices;
- To determine whether or not management and staff were adequately involved in the planning and development of the COOP;
- To assess whether the COOP was properly communicated to all FHFB staff;
- To identify any sections of the COOP that had not yet been implemented; and
- To determine whether the COOP has been fully implemented.

Scope

In performing the audit of the COOP, D&A reviewed FHFB's COOP implementation efforts to verify inclusion, communication to key FHFB staff, and implementation of required key elements, essential functions, and other critical activities, such as:

- Identification and preparation of alternative operating facilities for continuity of operations;
- Vital records, databases and systems and where/how they are stored;
- Orders of succession for key organizational leadership positions;
- Delegation of authorities;
- Decision process for determining appropriate actions in implementing COOP plans and procedures;
- Responsibilities of the individuals who have COOP roles (leadership, planners, COOP personnel);
- Recommended content and maintenance of drive-away kits¹;
- Interoperable communications systems and contact numbers; and
- COOP personnel and other employee contact lists.

¹ Drive-away kits refers to kits prepared by, and for, individuals who expect to deploy to an alternate location during an emergency. Drive-away kits contain items needed to minimally satisfy personal and professional needs during deployment. Sometimes also referred to as go-kits.

OBJECTIVES, SCOPE AND PROCEDURES

Procedures

Based on the primary objectives for the performance audit of the COOP, the procedures that were used included the following: (1) interviews of appropriate FHFB personnel that were involved in the planning and development of the COOP; (2) review and substantiation of documentation supporting the COOP implementation; and (3) re-performance or confirmation of certain FHFB maintenance procedures and implementation activities, during the period of October 1, 2006 through August 31, 2007.

In preparing the audit plan, D&A determined whether:

- Proposed audit objectives were likely to result in a useful report;
- The audit plan adequately addressed relevant risks;
- The proposed audit scope and methodology were adequate to address the objectives;
- Available evidence was likely to be sufficient and appropriate for purposes of the audit;
- Sufficient staff, supervisors, and specialists with adequate collective professional competence and other resources were available to perform the audit and to meet expected time frames for completing the work; and
- D&A staff was familiar with key Federal guidance on this subject matter, especially FPC 65.

Based on the audit plan, an assessment questionnaire was developed and used to document responses from key FHFB personnel, and walk-through procedures were performed, as appropriate, to ensure that the process was in operation as understood and recorded in the assessment questionnaire.

This phase of the audit established a proper understanding of:

- Development process of the Plan;
- COOP plan and procedures;
- Essential function(s);
- Delegations of authority;
- Orders of succession;
- Alternate operating facilities;
- Interoperable communications;
- Vital files, records, and databases;
- Human capital and telecommuting;
- Test, training, and exercise program;
- Devolution of control and direction;
- Reconstitution of operations; and
- Agency head responsibilities.

OBJECTIVES, SCOPE AND PROCEDURES

Procedures (continued)

D&A completed the tests and procedures delineated in the written audit plan. This included, among other tasks, the following test work:

- Review and comparison of the COOP with current Federal guidance and Best Practices;
- Identification and review of documents relating to the implementation of the COOP, including activation plans for key FHFB departments;
- Interview of key personnel responsible for the COOP to determine the extent of their involvement in the COOP;
- Review of communications of the COOP to FHFB personnel;
- Visit of the alternative site or the “Hot Site” to review the facilities and the general preparedness of the site for a COOP event;
- Determination of extent of reliance on a telework policy/program and other programs in a COOP event;
- Review of test, training and exercise programs and their implementation;
- Review performance of annual maintenance and update procedures of the COOP;
- Review of implementation plans and determination of status of implementing the key components of the COOP; and
- Where any component of the COOP had not been implemented, determination by review of documents, and interviews with key personnel, the dates by which these components will be implemented.

Upon completion of the fieldwork, an initial draft audit report was prepared, and presented to agency officials prior to the Exit Conference. Written comments received from FHFB personnel were incorporated in the final report.

SECTION IV

FINDINGS

FINDINGS

Finding 1 – Interdependencies to Perform Essential Function(s) Not Stated

Condition: The interdependencies or the resources controlled by others to perform the essential function(s) to accomplish FHFBS's mission were not stated in the COOP document, nor did the COOP document state that these were included in the activation plans, which have been prepared at the department level to supplement the COOP.

Criteria: FPC 65 §10.a.(1): "Delineate essential functions and activities, agency interdependencies, and the resources needed to perform them."

FPC 65 §10.b: "...Planning related to essential functions must also include identification of partners integral to program delivery, testing data exchanges between partners, developing complementary COOP plans, sharing key information on readiness with other partners and the public..."

Cause: According to the Acting Director, OM, the interdependencies were not included in the COOP as the activation plans of the departments, which supplement the COOP, provide this information.

Effect: The inclusion of mission-critical interdependencies and resources in the activation plans only, rather than the COOP document itself, increases the risk of overlooking vital third party support required to perform an essential function or the duplication of this work within FHFBS during a COOP event.

Recommendation: The COOP document should identify interdependencies with other agencies and resources or functions controlled by other organizations to avoid excluding critical activities required to perform the essential function(s) of the agency. This will also ensure that the same activities are not performed by an external entity and duplicated in FHFBS. At a minimum, the COOP should include the key information available in this regard in the activation plans.

Auditee's Response: "As identified in the COOP, the Finance Board has one essential function, the supervision of the twelve Federal Home Loan Banks and the Office of Finance.

Support activities, which are critical processes that allow the Finance Board to operate, are identified in the COOP (see COOP Section G – Concept of Operations, page 4). Each Office has developed and maintains office activation plans. Such plans are part of the COOP. These plans delineate the activities required to implement the COOP and identify both internal and external resource dependencies.

Nonetheless, as part of the annual review of the COOP, the Office of Management (OM) will review the support activities and resource interdependencies to evaluate ways to possibly integrate the information while maintaining adequate controls over any private data."

FINDINGS

Finding 1 – Interdependencies to Perform Essential Function(s) Not Stated (continued)

Evaluation of Auditee's Response: While the auditee's response indicates the intent to evaluate ways to possibly integrate the information during the course of the annual review of the COOP, no firm action to implement the recommendation is provided.

FINDINGS

Finding 2 – Duration for Sustainability of Operations Not Stated

Condition: The COOP did not state the minimum number of days that operations should be maintainable in a COOP event.

Criteria: FPC 65 §9: “Viable department and agency COOP capability consists, at a minimum, of the following elements: ... c. Must be capable of maintaining sustained operations until normal business activities can be reconstituted, which may be up to 30 days.”

FPC 65 §10.a.(8): “Establish reliable processes and procedures to acquire resources necessary to continue essential functions and sustain operations until normal business activities can be reconstituted, which could be up to 30 days.”

Cause: According to the Acting Director, OM, there was no requirement to state this in the Plan.

Effect: In the absence of a minimum timeline to continue essential functions and sustain operations in the Plan from an alternative site, there is a risk that FHFB may not ensure that processes and procedures are adequate and resources are available at the Emergency Operations Center (EOC) to maintain operations for the desired time period.

Recommendation: FHFB should incorporate appropriate narrative in the COOP to ensure that operations will be maintainable for a minimum number of days. This could be based on the best estimate of how many days might be required to reconstitute normal business activities.

Auditee’s Response: “Federal Preparedness Circular (FPC) 65 does not require agencies to include a minimum timeline in their COOP, but rather states that agencies must be capable of maintaining sustained operations until normal business activities can be reconstituted, which may be up to 30 days

The COOP currently states that the Finance Board is be operational within 12 hours of an event. The number of days required to sustain operations until normal business operations can be reconstituted is event specific. We will consider adding language in the COOP that provides an overall sustainability goal that is consistent with FPC 65 during our annual review of the COOP.”

Evaluation of Auditee’s Response: Auditee’s response should be adequate, provided the auditee takes action to add language to the COOP regarding sustainability.

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Finding 3 – Complete Guidance Needed for Returning to Normal Operations

Condition: Although the Plan defined the succession to key positions in the absence of key personnel due to incapacity or absence, it did not provide guidance on how the succession will be relieved at the conclusion of the COOP event.

Criteria: FPC 65 §10.a.(10): “Provide for reconstitution of agency capabilities, and transition from continuity operations to normal operations.”

Cause: According to the Acting Director, OM, guidance on reversal of succession was not included, as it was assumed to be obvious that succession would automatically revert back to the absent or incapacitated key personnel upon their return or at the conclusion of the COOP event.

Effect: In the absence of proper guidance on relief of succession, a seamless transition to normal business may not be achieved.

Recommendation: The COOP should clearly delineate the process that is required to revert the succession of key positions and transition FHFBS operations from continuity operations back to normal operations.

Auditee’s Response: “The orders of succession and delegations of authority have been documented, signed by the Chairman, and are maintained as back-up documentation as identified in Attachment G (see COOP, Attachment G: Back-Up Documentation, page 27). Procedures are in place for the transition from continuity operations to normal operations and are documented in the Finance Board COOP, Section N, Reconstitution. Such delegations only occur upon an individual’s absence or disability. If the individual is not absent or is not disabled, the authority under the delegation never arises. Further, upon the ending of an event the delegations cease to be effective.”

Evaluation of Auditee’s Response: Auditee’s response indicates that, “upon the ending of an event the delegations cease to be effective.” If this statement or similar language was included in the COOP, the auditee’s response would be considered adequate.

FINDINGS

Finding 4 – Procedures Needed for Updating and Pre-Positioning Vital Records

Condition: While the COOP requires the owner of each vital record, file, or database to pre-position and update these records on a regular basis, the COOP did not include specific procedures or minimum requirements and timeframe intervals (i.e. define “regular basis”) for protecting, updating and pre-positioning vital records at the EOC.

Criteria: FPC 65 §10.g.: “The identification, protection, and ready availability of electronic and hardcopy documents, references, records, and information systems needed to support essential functions during a COOP situation is another critical element of a viable COOP plan. Agency personnel must have access to and be able to use these records and systems in conducting their essential functions. They must also have procedures for protecting and updating them.”

Cause: According to the Acting Director, OM, FEMA’s COOP template was used to prepare the FHFB Plan, and the template did not provide for the inclusion of this information.

Effect: During a COOP situation, the EOC may not have access to current updated versions of vital records and data, which could result in the inability of the agency to carry out its mission.

Recommendation: FHFB should establish and incorporate specific procedures and establish minimum requirements and timeframe intervals for protecting and regularly updating pre-positioned records and data at the EOC, including hardcopy documents, to preclude the possibility of having data that is not up-to-date.

Auditee’s Response: “The owner of each vital record is responsible for updating records. OM has reviewed the vital records listed in the COOP. The identified vital records are available in electronic format and can be assessed remotely from the Finance Board network. Therefore, pre-positioning of hard copy documents is not required at the agency’s alternate site. The COOP will be updated to reflect the current formats of the vital records during our annual review of the COOP.”

Evaluation of Auditee’s Response: While the auditee’s response does provide for the COOP to be updated to reflect the current formats of the vital records during the annual review of the COOP, the response does not address the recommendation to establish and incorporate specific procedures and establish minimum requirements and timeframe intervals for protecting and regularly updating vital records.

FINDINGS

Finding 5 – Numerous Processes Identified as Essential Activities

Condition: OM’s activation plan, which supplements the COOP includes three criticality levels, eight functional areas and a number of business processes, all of which may not be required to maintain the mission of FHFB.

Criteria: FPC 65 §10.b.: “Agencies should carefully review all of their organization’s missions and functions before determining those that are essential. Improper identification of essential functions can have a negative impact on the entire COOP plan, because other aspects of the COOP plan are designed around supporting these functions. If an agency fails to identify a function as essential, it will not make the necessary arrangements to perform the function. If it identifies too many functions as essential, it risks being unable to adequately address all of them.”

FPC 65 Annex B §1.: “Determine which functions must be continued under all circumstances. When identifying essential functions, agencies must consider those functions that must continue with minimal disruption or cannot be interrupted for more than 12 hours, without compromising the organization’s ability to perform its mission. Agencies must be capable of sustaining these essential functions until normal business activities can resume which may be up to 30 days.”

Cause: According to the Acting Director, OM, this was a good practice and not an FPC requirement.

Effect: Improper identification of critical activities can negatively impact the entire COOP, because other aspects of the COOP are designed around supporting these activities. If an agency identifies too many activities as essential, it risks being unable to adequately address all of them.

Recommendation: FHFB’s OM should review and re-evaluate the critical business processes that are listed in its activation plan to assess which activities are actually essential in a COOP event. A reduction in the number of critical activities included in the activation plan will assist FHFB in concentrating on mission-critical activities only, and increase the deployment of resources to the truly critical processes during a COOP event.

Auditee’s Response: “The criteria cited in the audit report for this finding (FPC 65 §10.b and FPC 65 Annex B §1) addresses the potential negative impact of improperly identifying essential functions, either by failing to identify an essential function or identifying too many essential functions.

As stated in the COOP, the Finance Board has one essential function – the supervision of the twelve Federal Home Loan Banks and the Office of Finance. Nowhere do the auditors state that the COOP has too many or too few essential functions. Rather, the auditors improperly use this criteria and apply it to business processes required to support this one essential function.”

FINDINGS

Finding 5 – Numerous Processes Identified as Essential Activities (continued)

Evaluation of Auditee's Response: The response does not address the recommendation for OM to review and re-evaluate the critical business processes that are listed in its activation plan to assess which activities are actually essential in a COOP event. If the conclusion is that all business processes in OM's activation plan are essential, this should be stated in the COOP and in the OM activation plan.

FINDINGS

Finding 6 – Quarterly Testing of Alert, Notification and Activation Procedures Not Documented

Condition: FHFB performs pre-planned annual testing of the COOP, and Attachment D of the COOP provides a schedule of other tests to be performed by the departments in FHFB. However, there was no supporting documentation to confirm that the alert, notification, and activation procedures had been performed in the past, on a quarterly basis.

Criteria: FPC 65 Annex I §1.a.: “The agency test program must include quarterly testing of COOP alert, notification, and activation procedures.”

Cause: According to the Acting Director, OM, the requirement to retain documentation of these tests was not included in the COOP and departments are required only to update the telephone trees in the activation plans.

Effect: Although OM indicated that all required tests were performed by the departments, in the absence of proper documentation, there was no evidence to confirm that these tests have been performed timely to facilitate successful implementation of the COOP, which could result in the agency being unable to carry out its operations during a COOP event.

Recommendation: FHFB should monitor and document the quarterly performance of the tests included in the COOP, and the documentation should be retained as evidence of performance of the tests. The timelines specified in the COOP, in accordance with Federal guidelines, should be adhered to.

Auditee’s Response: “During the annual review of the COOP, the COOP will be updated to ensure that offices submit documentation when conducting testing.”

Evaluation of Auditee’s Response: The auditee’s response provides for updating the COOP to ensure that offices are aware of the requirement to submit documentation for tests conducted. However, this does not directly address the recommendation to monitor the quarterly performance of the tests included in the COOP for adherence to specified timelines.

FINDINGS

Finding 7 – Annual Awareness Briefing Not Performed in Accordance with Federal Guidelines

Condition: Prior to the annual COOP testing exercise, an orientation and overview of the COOP was provided to the personnel participating in the test, but there was no annual COOP awareness briefing to the entire workforce.

Criteria: FPC 65 §10.i. "...Specific objectives of a COOP TT&E program² are to: ... (5) Conduct individual and team training of agency COOP personnel to ensure currency of knowledge and integration of skills necessary to implement COOP plans and carry out essential functions."

FPC 65 Annex I §2: "The agency training program must include: a. Annual COOP awareness briefing (or other means of orientation) for the entire workforce; b. annual team training for COOP personnel; c. annual team training for agency personnel (and host or contractor personnel) assigned to activate, support, and sustain COOP operations at alternate operating facilities..."

Cause: According to the Acting Director, OM, the annual process of testing the EOC, including the briefing, testing and de-briefing of the COOP personnel and the annual notification to all employees to access and review the emergency preparedness information on the FHFB website sufficed to meet FPC requirements.

Effect: Without proper training of the staff, there is less assurance that the COOP can be properly implemented.

Recommendation: FHFB should include COOP awareness briefing as part of its annual training for the entire workforce in accordance with Federal guidelines.

Auditee's Response: "Based on the criteria included in the report, the agency is in compliance with FPC 65 Annex I§2 "Annual COOP awareness briefing (or other means of orientation) for the entire workforce." The COOP is currently covered in the orientation for new employees and employees receive annual notices on the COOP and emergency site. However, during the annual review, OM will consider developing a presentation specific to Finance Board employees."

Evaluation of Auditee's Response: Auditee's response should be adequate provided the auditee takes action to develop a presentation to promote COOP awareness amongst FHFB employees.

² TT&E program refers to Test, Training and Exercises program.

FINDINGS

Finding 8 – Activation Plan for the Office of General Counsel Not Prepared

Condition: Interpretation of law and regulation was included as a critical process in section G of the COOP, and the General Counsel was a member of the Initial Response Team. However, there was no activation plan for the Office of General Counsel.

Criteria: FPC 65 §10.a.: “...At a minimum, the plan must: ... (5) Provide procedures for the notification and relocation of COOP personnel to one or more alternate operating facilities; ... (9) Establish reliable processes and procedures to acquire resources necessary to continue essential functions and sustain operations until normal business activities can be reconstituted, which could be up to 30 days.”

Cause: According to the Acting Director, OM, at the time of preparation of the COOP, the prior General Counsel determined that an activation plan was not required for that office.

Effect: FHFB’s COOP is dependent on the activation plans for each of its departments for notification of employees and for the continuation of critical functions. Without the activation plan for the Office of General Counsel, the COOP document is incomplete. More specifically, the General Counsel would be unable to respond properly in a COOP event.

Recommendation: Office of General Counsel should develop a departmental activation plan as soon as possible to ensure that it is in a position to provide the necessary support during a COOP event.

Auditee’s Response: “Prior to issuing the draft audit report, the Office of General Counsel developed an activation plan, which was communicated to the auditors at the Exit Conference on October 24, 2007.”

Evaluation of Auditee’s Response: Auditee’s response is adequate. The activation plan for the Office of General Counsel should be provided to the IG for review.

FINDINGS

Finding 9 – Interdependence with Other Plans and Policies Not Clearly Defined

Condition: The interdependence of the COOP, Pandemic Flu plan and Telework policy was not clearly stated in the COOP and Teleworking policy. FHFB had performed testing for a Pandemic Flu COOP event with a limited sample of 10 employees' teleworking for one full day, but the relationship between telework and a COOP event was not reflected in the current policies.

Criteria: FPC 65 Annex E (1): "Maximum use should be made of existing agency local or field infrastructures, and consideration should also be given to other options such as telecommuting locations, work-at-home agreements, virtual offices, and joint or shared facilities."

Cause: According to the Acting Director, OM, there was no requirement to state the interdependencies that exist between the COOP and telework in the respective plan documents.

Effect: These plans constitute a significant part of the agency's emergency preparedness, and the interdependence of the plans should be explained in each plan. In the absence of such explanations, management cannot ensure optimal utilization of the agency's resources to manage the wide range of potential hazard emergencies.

Recommendation: The COOP, Pandemic Flu Plan, and Telework Policy should be revised to include interdependencies among these plans. These documents should include the dependencies and relationships amongst the plans as a part of an overall emergency preparedness strategy. FHFB should consider testing the Pandemic Flu COOP event on an agency-wide basis to increase its confidence in the telework system and infrastructure, and telework should be considered for integration in the COOP processes to improve the efficiency and effectiveness during a COOP event.

Auditee's Response: "The FPC 65 criterion, cited in the finding, requires agencies to consider options such as telecommuting locations. The Finance Board's COOP planning has considered teleworking, which is demonstrated in the Pandemic Flu Plan and the testing of teleworking capabilities.

We do not agree with the recommendation to test teleworking on an agency-wide basis. A test encompassing all agency employees is impractical and is not a standard testing practice. OM is aware of no federal agency that has conducted an agency-wide test of its teleworking capabilities. Such testing would be an inefficient, ineffective and grossly wasteful use of agency resources with little or no benefit beyond that is achieved by testing on a limited basis."

Evaluation of Auditee's Response: The auditee's response does not address the recommendation to include the dependencies and relationships of the COOP, Pandemic Flu Plan, and Telework Policy as a part of an overall emergency preparedness strategy for FHFB, and that these Plans should be revised to include the interdependencies among them.

FINDINGS

Finding 10 – Review For Consistency Needed

Condition: The COOP did not provide clear-cut direction to determine appropriate actions required by FHFB personnel in a COOP event. In section K.2.b., the COOP stated: “most employees will be directed to stay at home until further notice. The appropriate COOP personnel will report to the Emergency Operations Center within the next 24 hours unless otherwise directed by their supervisor or the OM Director.” In section K.3., the COOP stated: “the Initial Response Team (IRT) will arrive at the EOC within 12 hours of COOP activation to oversee COOP implementation ... Other COOP emergency personnel will be contacted as needed.”

Criteria: FP 65 §10.a.(4).: “Outline a decision process for determining appropriate actions in implementing COOP plans and procedures.”

Cause: According to the Acting Director, OM, due to the complexity of this document, some inconsistencies in drafting may not have been identified.

Effect: In the absence of clear directions, critical COOP employees may not act appropriately during a COOP event.

Recommendation: The COOP should be reviewed to remove inconsistencies in the document and the use of decision and action trees should be considered to develop a more readily understandable document.

Auditee’s Response: “Consistency of terminology will be evaluated during the annual review of the COOP.”

Evaluation of Auditee’s Response: Auditee’s response is adequate. The revised COOP should be provided to the IG for review.

FINDINGS

Finding 11 – Available COOP Self-Assessment Tool Not Used to Evaluate the Plan

Condition: FHFB has not used FEMA’s Self-Assessment Tool for evaluating its COOP.

Criteria: Standard good practices suggest the use of this self-assessment tool for determining compliance with Federal guidelines.

Cause: According to the Acting Director, OM, completion of the FEMA Self-Assessment Tool was not an FPC requirement.

Effect: FHFB is unable to determine with certainty whether the COOP has been prepared in accordance with FPC 65, and complies in all respects with Federal guidelines.

Recommendation: FHFB should use the FEMA Self-Assessment tool to ensure compliance with Federal guidelines. To provide objectivity, persons other than those responsible for preparation of the Plan should complete this tool. Areas of non-compliance should be reviewed by higher levels of management in FHFB to ensure that any deviations from the FEMA recommended standards are approved.

Auditee’s Response: “A copy of the FEMA Assessment Tool has been obtained and reviewed. We may consider using the tool in future evaluations of the Finance Board’s COOP.”

Evaluation of Auditee’s Response: The auditee’s response should be adequate, provided the auditee uses the FEMA Assessment Tool in future evaluations of the COOP.

SECTION V

BEST PRACTICES

BEST PRACTICES

Best Practices Guidelines

Due to the confidential nature of COOPs, agencies have restricted access to their plans, and independent analysis and verification of other COOP policies and procedures cannot be performed by accessing other agencies' websites or by obtaining information that is generally available to the public. Due to this limitation, D&A relied upon two reports issued by GAO to the Chairman, Committee on Government Reform, House of Representatives: *Continuity of Operations – Improved Planning Needed to Ensure Delivery of Essential Government Services, and Continuity of Operations – Selected Agencies Could Improve Planning for Use of Alternate Facilities and Telework during Disruptions*.

For the first report, issued on February 27, 2007, GAO examined 34 COOPs to determine: a) the extent to which major civilian executive branch agencies have identified essential functions, and b) the extent to which these agencies' COOPs followed the guidance provided in FPC 65.

For the second report, issued on May 11, 2006, GAO reviewed the extent to which, agencies have: a) prepared alternative facilities where they can perform their essential functions in emergencies; and b) made preparations necessary to effectively use telework in emergency situations. To achieve the first objective of this report, GAO reviewed plans for the 23 largest civilian departments and agencies and identified the population of alternative facilities, and selected, from this population, 6 alternate facilities to evaluate compliance with FPC 65 criteria. For the second objective, GAO reviewed prior work on telework and surveyed agency officials responsible for continuity planning of 23 of the largest civilian departments and agencies.

Best Practices Analysis

For purposes of evaluating FHFB's COOP, those practices that were adopted by at least 70 percent of the agencies examined by GAO were considered to be "Best Practices." Therefore, while this performance audit identified 11 findings, only two of those findings related to Best Practices. Based on the results of the Best Practices analysis, shown in the table below, it is clear that the FHFB's COOP policies and procedures were mostly consistent with those practiced at other government agencies. However, there were two Best Practices in which the FHFB fell short – the maintainability of operations for 30 days, and the integration of telework policy into the Plan. These shortcomings can be corrected by modification of the COOP document and incorporating these Best Practices.

Summary Of COOP Best Practices

The following table summarizes the Best Practices that were identified and the compliance with these Best Practices by FHFB, using the methodology stated above.

BEST PRACTICES

Summary Of COOP Best Practices (continued)

COOP Best Practices Policies & Procedures	Part of FHFB's COOP?
General	
Identifies agency's essential functions	Yes
Identifies a roster of personnel to perform essential functions	Yes
Establishes a goal of becoming operational within 12 hours and maintains that capability for 30 days	No ³
Establishes an order of succession to the agency head position	Yes
Describes orders of succession by position or title	Yes
Documents the acquisition of alternate facilities	Yes
Identifies at least two independent channels for emergency communications	Yes
Alternate Facilities	
Identifies an alternate facility	Yes
Considers access to essential resources from alternate facility	Yes
Preparation and activation plan pre-positioned at alternative site	Yes
Plans for notifying alternate facility at the time of COOP activation	Yes
Provides instructions for relocating to alternate facilities	Yes
Provides consideration for the health, safety and emotional well being of relocated COOP personnel	Yes
Access to facilities controlled by guards, identification badges, or other entry devices	Yes
Identifies maximum number of personnel that could relocate to the alternate facility	Yes
Provides redundant communications systems for use in COOP implementation within 12 hours of COOP activation and sustainable through the end of COOP event	Yes
Telework	
Agency telework policy is part of COOP	No ⁴

³ Refer to Finding 2 in Section IV of this report.

⁴ Refer to Finding 9 in Section IV of this report.

SECTION VI

AUDITEE'S RESPONSE (FULL TEXT)



Federal Housing Finance Board

November 20, 2007

To: Edward Kelley
Inspector General

From: David Lee
Acting Director
Office of Management

Subject: Response to Final Draft audit Report on FY 2007 Audit of FHFB's Continuity of Operations Plan (COOP)

2007 NOV 20 PM 12 39

Thank you for the opportunity to respond to the final draft report. Set forth below is the Finance Board's response to specific findings. We look forward to receiving the final report with this response attached thereto.

Finding 1 – Interdependencies to Perform Essential Function(s) Not Stated

As identified in the COOP, the Finance Board has one essential function, the supervision of the twelve Federal Home Loan Banks and the Office of Finance.

Support activities, which are critical processes that allow the Finance Board to operate, are identified in the COOP (see COOP Section G - Concept of Operations, page 4). Each Office has developed and maintains office activation plans. Such plans are part of the COOP. These plans delineate the activities required to implement the COOP and identify both internal and external resource dependencies.

Nonetheless, as part of the annual review of the COOP, the Office of Management (OM) will review the support activities and resource interdependencies to evaluate ways to possibly integrate the information while maintaining adequate controls over any private data.

Finding 2 – Duration for Sustainability of Operations Not Stated

— — — Federal Preparedness Circular (FPC) 65 does not require agencies to include a minimum timeline in their COOP, but rather states that agencies must be capable of maintaining sustained operations until normal business activities can be reconstituted, which may be up to 30 days

The COOP currently states that the Finance Board is to be operational within 12 hours of an event. The number of days required to sustain operations until normal business operations can be

reconstituted is event specific. We will consider adding language to the COOP that provides an overall sustainability goal that is consistent with FPC 65 during our annual review of the COOP.

Finding 3 – Complete Guidance Needed for Returning to Normal Operations

The orders of succession and delegations of authority have been documented, signed by the Chairman, and are maintained as back-up documentation as identified in Attachment G (see COOP, Attachment G: Back-Up Documentation, page 27). Procedures are in place for the transition from continuity operations to normal operations and are documented in the Finance Board COOP, Section N, Reconstitution. Such delegations only occur upon an individual's absence or disability. If the individual is not absent or is not disabled, the authority under the delegation never arises. Further, upon the ending of an event the delegations cease to be effective.

Finding 4 – Procedures Needed for Updating and Pre-Positioning Vital Records

The owner of each vital record is responsible for updating records. OM has reviewed the vital records listed in the COOP. The identified vital records are available in electronic format and can be accessed remotely from the Finance Board network. Therefore, pre-positioning of hard copy documents is not required at the agency's alternate site. The COOP will be updated to reflect the current formats of the vital records during our annual review of the COOP.

Finding 5 – Numerous Processes Identified as Essential Activities

The criteria cited in the audit report for this finding (FPC 65 §10.b and FPC 65 Annex B §1) addresses the potential negative impact of improperly identifying essential functions, either by failing to identify an essential function or identifying too many essential functions.

As stated in the COOP, the Finance Board has one essential function - the supervision of the twelve Federal Home Loan Banks and the Office of Finance. Nowhere do the auditors state that the COOP has too many or too few essential functions. Rather, the auditors improperly use this criteria and apply it to business processes required to support this one essential function.

Finding 6 – Quarterly Testing of Alert, Notification and Activation Procedures Not Documented

During the annual review of the COOP, the COOP will be updated to ensure that offices submit documentation when conducting testing.

Finding 7 – Annual Awareness Briefing Not Performed in Accordance with Federal Guidelines

Based on the criteria included in the report, the agency is in compliance with FPC 65 Annex I§2 "Annual COOP awareness briefing (or other means of orientation) for the entire workforce." The COOP is currently covered in the orientation for new employees and employees receive annual notices on the COOP and emergency site. However, during the annual review, OM will consider developing a presentation specific to Finance Board employees.

Finding 8 – Activation Plan for the Office of General Counsel Not Prepared

Prior to issuing the draft audit report, the Office of General Counsel developed an activation plan, which was communicated to the auditors at the Exit Conference on October 24, 2007.

Finding 9 – Interdependencies with Other Plans and Policies Not Clearly Defined

The FPC 65 criterion, cited in the finding, requires agencies to consider options such as telecommuting locations. The Finance Board's COOP planning has considered teleworking, which is demonstrated in the Pandemic Flu Plan and the testing of teleworking capabilities.

We do not agree with the recommendation to test teleworking on an agency-wide basis. A test encompassing all agency employees is impractical and is not a standard testing practice. OM is aware of no federal agency that has conducted an agency-wide test of its teleworking capabilities. Such testing would be an inefficient, ineffective and grossly wasteful use of agency resources with little or no benefit beyond that is achieved by testing on a limited basis.

Finding 10 – Review For Consistency Needed

Consistency of terminology will be evaluated during the annual review of the COOP.

Finding 11 – Available COOP Self-Assessment Tool Not Used to Evaluate the Plan.

A copy of the FEMA Assessment Tool has been obtained and reviewed. We may consider using the tool in future evaluations of the Finance Board's COOP.

