

THE AUDITOR'S REPORT

NEWSLETTER

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DISASTER RECOVERY

Disaster Recovery/Business Resumption Planning

The Federal Financial Institutions Examination Council updated its IT Booklet, Business Continuity Handbook, in March 2008. The booklet outlines the areas necessary to developing a comprehensive plan that covers the entire credit union's operations rather than just information systems or data processing operations. The last update to the booklet occurred in 2003, and the 2008 booklet and accompanying examination program provides a much more comprehensive and in-depth review of a financial institution's disaster recovery and business continuity plan.

One of the areas receiving more examination coverage is the business impact analysis. The business impact analysis should be the first step in developing a plan. The business impact analysis identifies all of the critical systems, products, and services for each functional area or department at the credit union and establishes minimum allowable downtime for each critical service along with personnel, equipment, vendors, etc. necessary to conduct that service. The business impact analysis helps to prioritize recovery of critical services by establishing recovery time objectives.

Risk management or the development of strategies and procedures to mitigate the risks identified in the risk assessment and business impact analysis is another area receiving more attention. The examination program will assess how well a credit union has identified the

impact of various threats that could impact the credit union (rather than specific events that may never occur) and developed procedures and strategies to address those threats. Examples of such threats might include:

- Critical personnel are unavailable and they cannot be contacted
- Critical buildings, facilities, or geographic regions are not accessible
- Equipment (hardware) has malfunctioned or is destroyed
- Software and data are not accessible or are corrupted
- Third-party services are not available
- Utilities are not available (power, telecommunications, etc.)
- Liquidity needs cannot be met
- Vital records are not available

Special focus has been given to pandemic planning and whether a credit union has developed a preventive program to reduce the probability that its operations will be affected by a pandemic event. Pandemic planning should be incorporated into the business impact analysis. As part of this assessment, consideration should be given to determining the plans of service providers of critical services to ensure those services are available in a pandemic event.

Emphasis is also placed on critical outsourced activities and ensuring the business continuity plan addresses communications and connectivity to critical third party service providers.

Procedures should be in place to access, download, upload information from both the credit union's primary and alternate recovery locations, as well as the service provider's primary and alternate recovery locations. Consideration should be given to obtaining the disaster recovery plan of critical service providers so the credit union can incorporate that plan into its own plan.

Lastly, new focus is being placed on testing the plan to determine whether the organization's testing program is sufficient to demonstrate its ability to meet its recovery objectives. Testing strategies should be documented and include test plans and schedules. The plan should identify the necessity of testing enterprise wide as well as with critical service providers. Test results should document the readiness of employees to implement recovery strategies. Where appropriate, re-testing should be conducted in a timely manner to address test problems or failures.

With an effective business continuity plan, organizations can reduce the impact of disruptions and minimize downtime, losses, etc. For more information or to download the Business Continuity Handbook, visit the FFIEC's website at www.ffiec.gov.

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