

# **NCUA LETTER TO CREDIT UNIONS**

**NATIONAL CREDIT UNION ADMINISTRATION  
1775 Duke Street, Alexandria, VA 22314**

**DATE:** July 2006 **LETTER NO.:** 06-CU-12  
**TO:** Federally Insured Credit Unions  
**SUBJ:** Disaster Preparedness & Response  
Examination Procedures  
**ENCL:** AIREs Disaster Preparedness & Response Questionnaire

Dear Board of Directors:

The purpose of this Letter is to provide all Federally Insured Credit Unions with a copy of the new examination questionnaire developed to give examiners a standard framework for reviewing your Disaster Preparedness & Response (DPR) efforts. The questionnaire incorporates "lessons learned" from last year's hurricane season as well as other relevant guidance.

When using the questionnaire, examiners will consider each of the following elements to determine your efforts to *PREPARE*:

- **Planning** – Ensuring Financial Services to Members
- **Resources** – Allocating Sufficient Equipment, Supplies, and Facilities
- **Evaluation** – Testing of Contingencies for All Critical Systems
- **People** – Maintaining Readiness of Staff and Officials
- **Alliances** - Establishing Relationships with Other Organizations
- **Review** – Updating Internal Plans for Effectiveness
- **Experience** – Incorporating Lessons Learned

You may also find the questionnaire beneficial in performing a self-evaluation of your DPR efforts. The questionnaire is enclosed in Adobe format which includes the comments for each question at the end of the document.

If you have any questions regarding the enclosed questionnaire, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

/s/

JoAnn M. Johnson  
Chairman

Enclosure

	A	B	C	E
3	<b>Disaster Preparedness &amp; Response</b>			
4	<b>INTRODUCTION AND PURPOSE</b>			
5	<b>REVIEW ELEMENTS</b>			
6	<b>ABBREVIATIONS</b>			
7	<b>NCUA REFERENCES</b>			
8	<b>EXTERNAL REFERENCES</b>			
9			<b>Yes/No/NA</b>	<b>Comments</b>
10	<b>Planning - Ensuring Financial Services to Members</b>			
11	<b>1.0.0</b>	Is there a written Disaster Preparedness & Response (DPR) plan?		
12	1.0.a	a. Does the plan address periodic testing?		
13	1.0.b	b. Are updates to the plan and testing efforts documented in the board minutes?		
14	<b>1.1.0</b>	Does the DPR plan identify specific threats to delivering vital financial services to its members?		
15	<b>1.2.0</b>	Does the DPR plan identify critical systems and their role in providing members with vital financial services?		
16	<b>1.3.0</b>	Does the DPR plan establish a timeline for restoring critical systems?		
17	<b>1.4.0</b>	Does the DPR plan include multiple forms of communications?		
18	<b>1.5.0</b>	Does the DPR plan establish various methods for disseminating information to members?		
19	<b>1.6.0</b>	Does the DPR plan address communication between key staff, corporate credit unions, vendors, league affiliates, local media, and status reports to NCUA/state regulator?		
20	<b>1.7.0</b>	Does the DPR plan include evacuation and/or "shelter-in-place" guidance?		
21	<b>1.8.0</b>	Does the DPR plan include "pre-event" preparations?		
22	1.8.a	a. Will back-ups of data be performed and accessible from a safe location?		
23	1.8.b	b. Are members informed on how to contact the credit union after disaster occurs?		
24	<b>Resources - Allocation of Equipment, Facilities, And Supplies</b>			
25	<b>2.0.0</b>	Has the credit union determined its equipment, facility, and supply needs in the event of a disaster?		
26	<b>2.1.0</b>	Is a list of critical systems including emergency vendor/supplier contact information maintained at the credit union and alternate locations?		
27	<b>2.2.0</b>	Are appropriate contingencies developed in the event back-up or alternate systems fail?		
28	<b>2.3.0</b>	Is there a designated alternate worksite(s) which is a reasonable distance from the credit union based on the potential disasters identified in the DPR?		
29	<b>2.4.0</b>	Is a secondary alternate worksite location designated?		
30	<b>2.5.0</b>	Has the credit union designated one or more off-site storage facilities for back-up information within a safe, but reasonable distance from the credit union?		
31	<b>2.6.0</b>	Has the credit union established a reliable means for disbursement of cash and/or checks in the event of disaster?		
32	<b>2.7.0</b>	Does the credit union maintain sufficient insurance and is the basic policy information included in the DPR plan?		

	A	B	C	E
3	<b>Disaster Preparedness &amp; Response</b>			
33	<b>Evaluation - Testing of Contingencies for All Critical Systems</b>			
34	3.0.0	Is the DPR plan tested periodically, and what was the date of the last test?		<i>[Enter Date of Last Test]</i>
35	3.1.0	Are agreements with shared service branches evaluated for the ability to handle increased transactions in case of disaster?		
36	3.2.0	Are disaster support agreements with system vendor(s) evaluated at least annually?		
37	3.3.0	Are disaster support agreements for buildings and facilities reviewed annually?		
38	3.4.0	Are temporary locations periodically tested for readiness?		
39	3.5.0	Are alternate communication means tested by key credit union staff members?		
40	3.6.0	Has the credit union tested its ability to communicate with the local media?		
41	3.7.0	Are test results integrated into the DPR plan?		
42	<b>People - Maintaining Readiness of Staff And Officials</b>			
43	4.0.0	Does the DPR plan include a listing of key people and their responsibilities?		
44	4.1.0	Does the DPR plan clearly identify the individual authorized to initiate/terminate the plan and their alternate?		
45	4.2.0	Has the credit union considered special skills and capabilities of staff members to aid in various types of disasters?		
46	4.3.0	Does the DPR plan provide for each individual's specific responsibilities and secondary duties?		
47	4.4.0	Does the DPR plan designate a Disaster Recovery Team (DRT)?		
48	4.5.0	Does the DPR plan identify a site for the DRT to assemble after a disaster?		
49	4.6.0	Are all credit union personnel provided with initial and periodic training as it relates to the DPR plan?		
50	4.7.0	Is emergency contact information current on the 5300 Call Report?		
51	<b>Alliances - Establishing Relationships With Other Organizations</b>			
52	5.0.0	Does the DPR plan identify essential alliances?		
53	5.1.0	Are communication plans in place for essential alliances?		
54	5.2.0	Has the credit union considered whether geographic separation with its essential alliances is important?		
55	5.3.0	Are essential alliances able to support emergency needs?		
56	5.4.0	Are essential alliances part of testing?		
57	<b>Review - Updating Internal Plans for Effectiveness</b>			
58	6.0.0	Is the DPR plan periodically reviewed by officials and updated?		
59	6.1.0	Are post-incident response reviews performed after the credit union is affected by a disaster or service disruption?		
60	6.2.0	Are deficiencies found by the credit union during testing and/or causes for service disruptions corrected in the DPR plan?		
61	<b>Experience - Incorporate Lessons Learned From Others</b>			
62	7.0.0	Are lessons learned from others evaluated and incorporated into the credit union's preparedness efforts?		
63	7.1.0	Has management reviewed the disaster preparedness plans of its major vendors and utilized the best practices?		

**Cell:** A4

**Comment:** The purpose of this questionnaire is to determine if a credit union has sufficiently prepared for a disaster by developing a Disaster Preparedness and Response Plan to minimize disruptions of vital financial services to members due to natural or man made disasters, pandemic diseases, technical failures, and civil disorder.

**Cell:** A5

**Comment:** The following review elements will assist in determining if a credit union has implemented sufficient efforts to PREPARE:

- \* Planning – Ensuring Financial Services to Members
- \* Resources – Allocation of Sufficient Equipment, Facilities, and Supplies
- \* Evaluation – Testing of Contingencies for All Critical Systems
- \* People – Maintaining Readiness of Staff and Officials
- \* Alliances - Established Relationships with Other Organizations
- \* Review – Updating Internal Plans for Effectiveness
- \* Experience – Incorporate Lessons Learned

**Cell:** A6

**Comment:** Disaster Preparedness & Response - DPR  
Disaster Recovery Team - DRT

**Cell:** A7

**Comment:** (1) Letter to Credit Unions 01-CU-21 Disaster Recovery and Business Resumption Contingency Plans  
(2) Letter to Credit Unions 06-CU-11 Interagency Guidance Lessons Learned By Institutions Affected by Hurricane Katrina  
(3) Letter to Credit Unions 06-CU-10 NCUA's Information System and Technology Program - Business Continuity Planning Questionnaire  
(4) Letter to Credit Unions 06-CU-06 Influenza Pandemic Preparedness  
(5) Risk Alert 06-Risk-01 Disaster Planning and Response  
(6) NCUA Rules and Regulations Sections 748 and 749:

748.0(b)(2) Ensure the security and confidentiality of member records, protect against the anticipated threats or hazards to the security or integrity of such records, and protect against unauthorized access to or use of such records that could result in substantial harm or serious inconvenience to a member.

748.1(b) Requirement to notify the NCUA Regional Director within 5 business days of a catastrophic act.

749.2 What must a credit union do with vital records? The board of directors of a credit union is responsible for establishing a vital records preservation program within 6 months after its insurance certificate is issued. The vital records preservation program must contain procedures for storing duplicate vital records at a vital records center and must designate the staff member responsible for carrying out the vital records duties. Records must be stored every 3 months, within 30 days after the end of the 3-month period. Previously stored records may be destroyed when the current records are stored. The credit union must also maintain a records preservation log showing what records were stored, where the records were stored, when the records were stored, and who sent the records for storage. Credit unions, which have some or all of their records maintained by an off-site data processor, are considered to be in compliance for the storage of those records.

749.3 What is a vital records center? A vital records center is defined as a storage facility at any location far enough from the credit union's offices to avoid the simultaneous loss of both sets of records in the event of disaster.

**Cell:** A8

**Comment:** (1) FFIEC.gov for the IT Handbook Business Continuity Planning and on-line presentation.

(2) Ready.gov for templates and guidance on business and personal preparedness.

(3) Pandemicflu.gov for information on preparing for a pandemic.

**Cell:** B11

**Comment:** Disaster Preparedness & Response planning can take many forms. It is preparing for disasters and other events that require credit union officials to implement contingencies to ensure uninterrupted service to members. These plans are often labeled "business continuity" or "disaster recovery." It is important this type of planning involves the institution as a whole and focuses on providing vital financial services to members as its primary goal.

**Cell:** B12

**Comment:** Best practices are for the plan to include annual testing (at a minimum) and archiving of workpapers to support the work performed. Workpapers should include copies of the test scenarios and results.

The FFIEC IT Handbook Business Continuity Planning contains helpful information on testing beginning on page 15.

**Cell:** B13

**Comment:** Participation by the board reinforces that the plan is deserving of a high priority. It requires support throughout the organization.

**Cell:** B14

**Comment:** The credit union should focus their planning on threats that are most likely to affect their operations. Examples of threats are fire, flooding, hurricane, tornado, sabotage, riots, nuclear attack, power failure, fraud, theft, equipment failure, pandemic, and others.

Some credit unions will find their most likely threats are small in scope but still have a high probability of causing service disruptions. For example, computer malfunctions, temporary telecommunication interruption, delayed coin & currency deliveries, or ATM malfunctions.

**Cell:** B15

**Comment:** There are different methods of determining which systems are critical such as performing a Business Impact Analysis (discussed in the AIRE Business Continuity IT Questionnaire) or a flow chart diagramming which elements are needed to ensure vital financial services can be provided to members.

Regardless of the method used to determine which systems are critical. There is a direct link between critical systems and providing vital financial services to members. Once the critical systems are selected, they should be further prioritized to ensure systems are restored in the sequence of greatest priority and to address any interdependencies.

**Cell:** B16

**Comment:** The DPR plan should contain a timeline for the restoration of critical systems. This will ensure systems are restored in priority order.

**Cell:** B17

**Comment:** The plan should make use of several forms of communication. For example, home phone numbers, email, cell phone, text messaging, pagers, satellite phone. The more methods of communication available the more likely one will work.

**Cell:** B18

**Comment:** Member communication needs to play a major role for dealing with disaster situations. Plans should include communicating with members through a variety of sources such as internet postings, radio, newspaper, newsletter, lobby handouts, and signs displayed at each location.

**Cell:** B19

**Comment:** A significant lesson learned from previous disasters is that focusing on "communication" is key to successfully preparing for and operating in disaster conditions.

DPR plans need to give communication a high priority to ensure member confidence and service.

DPR plans must also recognize the role of outside parties such as vendors, leagues, and regulators in working through a disaster. Ideally, within the first 24 hours following a disaster all significant outside parties will be

contacted including NCUA/state regulator.

**Cell:** B20

**Comment:** The DPR plan should address "shelter-in-place" or evacuation routines which are appropriate based on the various types of disasters.

**Cell:** B21

**Comment:** If advance notice is available concerning the possibility of a disaster, the plan needs to be activated early.

Time before the disaster can be utilized to ensure alternate systems are ready, facilities secure, and staff is prepared.

Taking steps such as covering equipment and files or moving critical equipment to safety can greatly improve the recovery time.

Communication efforts should begin with members, staff, officials, and regulators to ensure readiness.

**Cell:** B22

**Comment:** NCUA Rules and Regulations Section 749 (3) requires a credit union to establish a vital records center to store back-ups of vital records at a location far enough from the credit union's offices to avoid the simultaneous loss of both sets of records in the event of disaster.

The DPR plan should reflect the above requirement and the credit union's experience in their local area to identify a place to store back-up records.

**Cell:** B23

**Comment:** Pre-event communications should be an ongoing process through newsletter articles, handouts to members, and/or internet postings.

**Cell:** B25

**Comment:** The credit union should make arrangements to have sufficient equipment, facilities, and supplies to work through a disaster.

This can range from small items such as back-up power supplies to alternate operating locations.

Resources should take into account all critical systems needed to provide vital financial services to members.

**Cell:** B26

**Comment:** Critical systems can be hardware, software, and items needed for manual procedures. Examples range from hard copy checks to computer servers.

**Cell:** B27

**Comment:** The DPR plan should address the possibility that back-up or alternate systems may fail and how problems will be resolved.

**Cell:** B28

**Comment:** Agreements should be in place with provisions for access anytime the location is needed.

The alternate worksite(s) should have back-up copies of data processing information, DPR plan, and hard copies of communication information for key staff and external parties.

**Cell:** B29

**Comment:** There should be a secondary alternate worksite in case the designated alternate worksite is not functional.

**Cell:** B30

**Comment:** The off-site location should be a reasonable distance to insure protection of the back-up data. Having multiple sites permits a greater probability that a back-up will be available in different disaster scenarios.

**Cell:** B31

**Comment:** The DPR plan should provide a reliable means for meeting the emergency withdrawal needs of its members.

If applicable, the DPR plan should specify off-line limits for ATMs/Debit Cards. The plan should include the necessary steps to activate these limits.

**Cell:** B32

**Comment:** The DPR plan should contain essential information needed to submit insurance policy claims. Also, the DPR plan should include contact information for the insurance companies' disaster recovery teams.

**Cell:** B34

**Comment:** Best practices are to test disaster preparedness and response plans at least annually. This will help ensure the DPR plan adequately addresses all essential functions. The test should be documented and workpapers maintained demonstrating that all critical functions and areas were tested.

Disaster drills should be created that realistically address threats to the credit union and involve staff members from a cross-section of the institution.

In the event that a third party is used to perform or facilitate tests, they must be knowledgeable in the credit union's critical functions and disaster response goals.

**Cell:** B35

**Comment:** Ideally, this would include the credit union obtaining written assurance from service center branches about their tested ability to handle increased capacity.

**Cell:** B36

**Comment:** The credit union should ensure their agreements keep pace with changes in the credit union's asset size, complexity of services, and membership levels.

**Cell:** B37

**Comment:** Disaster support agreements are with vendors who provide services to minimize damage such as placement of sand bags, boarding up windows, fuel for generators, and restoration after the disaster.

The DPR plan should contain emergency contact information for all disaster support vendors and include alternate sources for the services.

**Cell:** B38

**Comment:** Evaluations should include review of back-up sites for readiness. These sites should have working equipment and should be stocked with supplies as specified in the DPR plan.

**Cell:** B39

**Comment:** The test should include using all of the various means of communication to ensure there are no technical problems or training requirements.

**Cell:** B40

**Comment:** The credit union should prepare a template or script for this type of communication in advance and have established contacts for disseminating information.

Testing may include periodic contacts with the various media outlets to ensure contacts remain valid and procedures for sharing information are accurate.

**Cell:** B41

**Comment:** After completing a test of the DPR plan, the credit union should update the plan to correct any shortfalls.

**Cell:** B43

**Comment:** Key people to initiate the DPR plan, direct others in implementation, and lead communications throughout the disaster.

The DPR plan should specifically state the succession of authority and establish clear responsibilities for all involved.

Key people should each have a copy of the DPR plan and know the procedures to notify employees that the DPR plan has been activated/deactivated.

The DPR plan should include a chart of emergency contact information (e.g., cell phone, home phone, and contact numbers) for all employees and officials.

**Cell:** B44

**Comment:** The DPR plan should specify who is granted authority to declare an emergency and have the ability to invoke the plan. This may be the CEO, Board Chairman, or another key person such as a branch manager.

The DPR plan should contain the steps necessary for the specified individual to initiate/terminate emergency status.

The DPR plan should also specify an individual to communicate with external sources such as the media.

**Cell:** B45

**Comment:** All officials and staff members should be involved in the process. The special skills of each individual should be inventoried to ensure coverage.

**Cell:** B46

**Comment:** Duties should be clearly defined for all involved. Each person should have primary and secondary responsibilities.

The DPR plan should take into account that during a disaster various staff members will need to attend to their personal situation and will not be available for work.

**Cell:** B47

**Comment:** Depending on the size of the credit union, it may be feasible to establish a Disaster Recovery Team (DRT). The team would be made up of key people who have the management and technical skills to implement the DPR.

An effective DRT includes people who represent a cross-section of the organization to ensure all areas are covered.

**Cell:** B48

**Comment:** The DRT needs to have a primary meeting place in case of disaster. There also needs to be a listing of alternate assembly sites in case the primary site is not accessible.

**Cell:** B49

**Comment:** Awareness by officials and staff is an important element of success. Quick reference information such as wallet cards can serve to supplement periodic training.

**Cell:** B50

**Comment:** The 5300 Call Report's contact information should contain accurate emergency information including cell phone.

**Cell:** B52

**Comment:** Essential alliances are outside entities that can aid in operations during a time of emergency. For example, vendors, trade groups, and regulators. The credit union needs to include disaster preparedness in working with these entities to ensure there is agreement when disaster strikes.

The credit union should have established relationships with other credit unions and/or key vendors with enough geographic separation to help ensure the same disaster will not affect the credit union and its alliances.

An example of an alliance that some credit unions use to reduce the likelihood of disruptions in member service are shared service center agreements.

**Cell:** B53

**Comment:** Current business partners and alliances must have the credit union's emergency contact information and vice-versa.

Applicable portions of the DPR plan should be shared with alliances to ensure they are aware of the credit union's operating strategy.

**Cell:** B54

**Comment:** For some alliances and partners, it's sound business practice to work with those outside of the credit union's geographic area to reduce the possibility they will be affected by the same disaster.

**Cell:** B55

**Comment:** Ensure that key vendors understand the credit union's needs in the event of emergency and are able to meet the expected demand.

The DPR plan should have a listing of all major vendors, emergency contact information, and secondary sources for critical products and services.

**Cell:** B56

**Comment:** To the extent possible, the credit union needs to involve its major vendors in testing or walk-throughs of the DPR plan to ensure their plans are functional.

**Cell:** B58

**Comment:** The plan should be treated as a "living document" to be updated as changes occur in systems, services, staffing, vendors, and physical locations.

Updates should also be made for new and emerging threats (e.g., pandemic flu) and lessons learned from overcoming disasters.

**Cell:** B59

**Comment:** After the credit union activates part of its plan, an evaluation should be made to document success and items to improve.

**Cell:** B60

**Comment:** The DPR plan should be revised whenever a weakness surfaces.

**Cell:** B62

**Comment:** There have been many lessons learned from the major disasters that have affected financial institutions.

**Cell:** B63

**Comment:** Sharing ideas for disaster preparedness will lend itself to discovering items that were not considered by the credit union.