



National Credit Union Administration
Office of the Chief Financial Officer

BOARD ACTION MEMORANDUM

TO: NCUA Board

DATE: July 31, 2018

FROM: Office of the Chief Financial
Officer

SUBJ: Mid-Session Reprogramming

ACTION REQUESTED: NCUA Board approval to reprogram budgeted funds.

DATE ACTION REQUESTED: August 2, 2018

OTHER OFFICES CONSULTED: Office of the Chief Information Officer
Office of Examinations and Insurance

VIEWS OF OTHER OFFICES CONSULTED: Concur

BUDGET IMPACT, IF ANY: \$675,000

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes

RESPONSIBLE STAFF MEMBERS: Rendell L. Jones, Chief Financial Officer.

SUMMARY: The Board-approved Operating Fund Budget for 2018 is \$298.1 million. Based on current salary projections for the remainder of 2018, and input on spending projections from NCUA offices, staff projects obligations for the year will be approximately \$8.5 million less than the approved budget. The majority of the underspending is attributable to lower-than-projected staffing levels, which are resulting in lower payroll costs. In addition to lower payroll estimates, NCUA offices lowered spending estimates for non-payroll categories by \$980,000, mostly related to travel.

A reprogramming of \$675,000 is presented as part of the Mid-Session Budget Review, which would provide funding for two requirements. The first requirement is to enhance cybersecurity, by integrating the current Automated Cybersecurity Examination Tool (ACET) into the standardized Cyber Security Evaluation Tool (CSET) developed and distributed by the Department of Homeland Security (DHS) for U.S. Critical Infrastructure. This integration will enhance the tool's value for the credit union industry and the NCUA through improved automation and standardization of the examination process, data collection, and risk identification related to cybersecurity threats. NCUA's current ACET is a workbook/spreadsheet solution derived from the Federal Financial Institutions Examination Council (FFIEC) Cybersecurity Assessment Tool (CAT).

CSET helps program owners assess their information and operational systems cybersecurity practices by asking a series of detailed questions about system components and architectures, as well as operational policies and procedures. These questions are derived from accepted industry

cybersecurity standards, more than 40 national and international standards to date, which are all cross referenced and normalized through the CSET tool.

The NCUA will partner with a vendor to adapt the DHS tool that allows the NCUA to evolve this solution from a maturity assessment tool to a secure resilient assessment “tool box” for NCUA examiners and institutions. The cost is estimated to be \$425,000 to implement in 2018.

The second part of the proposed reprogramming action is for costs associated with employee relocations. Funding for employee relocations in the 2018 Operating Fund is \$250,000, which was a reduction from the annual average of \$750,000. This funding item was reduced for 2018 because NCUA anticipated that most of the relocations for 2018 would be associated with the agency’s reorganization plan and closure of the two regional offices. Funds were reserved from the 2017 budget to pay moves related to the reorganization. However, a number of staffing actions that are separate and distinct from the reorganization are expected to result in an increased funding requirement of an additional \$250,000, for a total of \$500,000.

RECOMMENDED ACTION: NCUA Board approve the reprogramming of \$675,000, funds which are already in the Operating Fund budget for 2018, for the cybersecurity evaluation tool and employee relocations.

ATTACHMENT: 2018 Mid-Session Budget Review.