



Audit Report



OIG-18-037

BILL AND COIN MANUFACTURING
BEP Needs To Finalize Its COOP Plan
February 7, 2018

Office of
Inspector General
Department of the Treasury

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Abbreviations

BIA	Business Impact Analysis
BPA	Business Process Analysis
BEP	Bureau of Engraving and Printing
Board	Board of Governors of the Federal Reserve System
COOP	Continuity of Operations
ECF	Eastern Currency Facility
FCD	Federal Continuity Directive
FEMA	Federal Emergency Management Agency
HSPD	Homeland Security Presidential Directive
ICP	Integrated Contingency Plan
JAMES	Joint Audit Management Enterprise System
MEF	Mission Essential Function
NSPD	National Security Presidential Directive
NCPIP	National Continuity Policy Implementation Plan

Contents

NEF	National Essential Function
PMEF	Primary Mission Essential Function
OEP	Treasury's Office of Emergency Preparedness
OIG	Office of Inspector General
TT&E	Test, Training, and Exercise
Treasury	Department of the Treasury
WCF	Western Currency Facility

*The Department of the Treasury
Office of Inspector General*

February 7, 2018

Leonard R. Olijar
Director
Bureau of Engraving and Printing

This report presents the results of our audit of the Department of the Treasury (Treasury), Bureau of Engraving and Printing's (BEP) continuity of operations (COOP) planning. COOP is an effort within individual Federal executive departments and agencies to ensure that their essential functions, and those functions that support our nation's National Essential Functions (NEF), continue to be performed during a wide range of disasters or emergencies.

Our objective was to assess BEP's COOP plans for currency production should a major disruption occur at one or both of its production facilities. To accomplish our objective, we reviewed applicable laws and regulations, including the Federal Emergency Management Agency's (FEMA) continuity guidance,¹ interviewed officials from BEP, and conducted walkthroughs of BEP's operations at its Eastern and Western Currency Facilities (ECF/WCF). We also interviewed officials from Treasury's Office of Emergency Preparedness (OEP), the Board of Governors of the Federal Reserve System (Board), and FEMA to gain an understanding of their needs, involvement, and perspectives on BEP's COOP planning. Appendix 1 provides a more detailed description of our objective, scope, and methodology.

¹ FEMA's guidance on COOP planning is contained within FEMA's Federal Continuity Directives (FCD), which include requirements for Federal executive departments' and agencies' COOP planning, including: risk identification, succession planning, emergency delegations of authority, safekeeping of essential resources and records, and establishment of emergency operating capabilities, among other items. Our nation's National Continuity Policy, and FEMA's FCDs, are outlined in appendix 2.

Result in Brief

BEP's COOP plan has not been finalized and has been in draft since October 2015. Federal Continuity Directive (FCD) 1, *Federal Executive Branch National Continuity Program and Requirements* (2012), requires that all organizations develop and document a continuity plan and supporting procedures and that those plans are updated and reviewed annually by the organization head or designee. BEP has not finalized a COOP plan since its previous plan in 2002. At the time of our audit, BEP was working to finalize a new COOP plan; however, our review of the October 2015 draft plan found that it had incomplete and missing supporting documentation required by FCD 1 and FCD 2, *Executive Branch Mission Essential Function and Candidate Primary Mission Essential Function Identification and Submission Process* (July 2013).

BEP's draft COOP plan and associated documentation showed that BEP's overall plan for a COOP event was to shut down production at the affected facility and use telework for conducting administrative functions only.³ The draft COOP plan is contingent on BEP's assumption that operations will be unaffected and available to support actions directed by the BEP Director, or the Director's successor, at BEP's other production facility.

BEP's draft COOP plan did not identify any Mission Essential Functions (MEF).⁴ The plan stated that BEP had no essential functions that need to be continued uninterrupted during an emergency. Board officials questioned BEP's MEF determination and told us that BEP provided services that directly support the Board and that these services could not be deferred during an

² FCD 1 was updated by FEMA on January 17, 2017, subsequent to the scope of our audit. Although there were numerous technical changes to the directive, one significant change was the requirement that essential functions and Business Process Analyses (BPA) be reviewed biennially, instead of annually. The updates reflected in the January 17, 2017, version of FCD 1 do not change the results of our audit.

³ A COOP event is an event that that disrupts, or has the potential to disrupt, normal activities and necessitates the activation of continuity plans. These events can be short or long term and can result from various hazards such as accidents, technological events, natural disasters, terrorist attacks, warfare, and chemical, biological (including pandemic influenza), radiological, nuclear, or explosive events.

⁴ MEFs are department and agency-level government functions that must be continued after a disruption of normal activities.

emergency. FEMA officials told us that BEP should have identified MEFs based on the requirements identified in FCD 2.

We are recommending that the Director of BEP (1) finalize BEP's COOP plan. This should include, among other things, plans specific to both facilities and supporting documentation required by FEMA's FCDs, such as business process and impact analyses to address risk and a comprehensive Test, Training, and Exercise (TT&E) program; and (2) work with the Board, in consultation with FEMA's National Continuity Programs Office as necessary, to determine BEP's MEFs and if any of those MEFs support other organizations' MEFs.

In a written response, which is included in its entirety as appendix 3, BEP management outlined actions taken and planned to address our recommendations. Management stated that BEP will finalize its COOP plan. BEP management also stated that in support of Treasury's review in response to the recently updated FCD 2, BEP will consult with Treasury and the Board to determine if BEP has a MEF or if any of the BEP functions support other organizations' MEFs. Treasury will submit an updated MEF list to FEMA by August 1, 2018.

We considered BEP's corrective actions planned and taken responsive to our recommendations. Management will need to record the estimated date for completing its planned corrective actions as well as the actual date of completed corrective actions in the Joint Audit Management Enterprise System (JAMES), Treasury's audit recommendation tracking system.

Background

BEP's primary function is to print billions of Federal Reserve Notes for delivery to the Federal Reserve System each year.⁵ BEP is responsible for designing and engraving the printing plates

⁵ The Board operates as the nation's central bank and serves to ensure that adequate amounts of currency and coin are in circulation. BEP is the sole producer of U.S. paper currency and the United States Mint produces all U.S. coinage.

necessary to print currency.⁶ BEP also advises other Federal agencies on document security matters and produces various other security documents, such as the inside covers of U.S. Passports. In addition, BEP processes claims for the redemption of mutilated currency.

BEP has two primary locations for currency production, the ECF in Washington, D.C., and the WCF in Ft. Worth, TX. BEP's Office of Security is responsible for personnel and physical security of the BEP.⁷ The Office of Security includes the Police Operations Division and Emergency Management Program staff.⁸

On May 4, 2007, the President issued National Security Presidential Directive (NSPD)-51/Homeland Security Presidential Directive (HSPD)-20 to act as our nation's National Continuity Policy. This policy establishes our nation's core NEFs and prescribes continuity requirements for all executive branch departments and agencies, which includes Treasury and its subcomponent agencies, such as BEP, to maintain a comprehensive and effective continuity capability composed of COOP and Continuity of Government programs.^{9, 10}

Under this National Security and Homeland Security Presidential Directive, each executive branch department and agency is responsible for identifying their essential functions. In particular, executive branch departments and agencies must identify their Primary MEFs (PMEF) that must be performed to support the NEFs

⁶ Plate making is a process by which a Master Plate, which is engraved with the design for a particular currency denomination, is used to create other plates for use in production. Master plates are not used for production.

⁷ BEP's Office of Security reports to BEP's Chief Information Officer/Associate Director for Management.

⁸ BEP operates a police department that protects BEP personnel and facilities. The BEP Police are responsible for enforcing federal laws, Treasury Department rules and regulations, and D.C laws through a Memorandum of Understanding with D.C. Metropolitan Police for making traffic stops and arrests within the areas surrounding the ECF. WCF's police jurisdiction is limited to its property line.

⁹ COOP, as defined in the NSPD-51/HSPD-20 and the National Continuity Policy Implementation Plan (NCP/IP), is an effort within individual executive departments and agencies to ensure that PMEF continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies.

¹⁰ NSPD-51/HSPD-20 was superseded by Presidential Policy Directive 40, which was signed on July 15, 2016, subsequent to the scope of our audit. The standards established within Presidential Policy Directive 40 do not change the results of our audit.

before, during, and after an emergency. Also, executive branch departments and agencies must plan, program, and budget for continuity capabilities in accordance with this directive.

FEMA is responsible for developing and promulgating FCDs in order to establish continuity planning requirements for all Federal executive branch departments and agencies, including Treasury. The FCDs include requirements to (1) identify essential functions using an identification and risk management process; and (2) prepare and approve a written COOP plan that contains items such as orders of succession, continuity facilities management, and COOP TT&E. Appendix 2 contains a more detailed description of the National Continuity Policy and FEMA's FCDs.

Audit Results

Finding 1 BEP Has Not Finalized Its COOP Plan

As of May 2017, BEP's COOP plan was still in draft. BEP has not finalized a COOP plan since its previous plan in 2002. Based on our review of the October 2015 draft COOP plan, we found that although BEP has a generally agreed upon approach to COOP and emergency response, better documentation is needed. At the time of our audit, BEP was working to finalize a new COOP plan; however, our review of the draft plan found that it had incomplete and missing supporting documentation required by FEMA's continuity guidance.

BEP's COOP Plan was Not Finalized

As of May 2017, BEP had not finalized its COOP plan. BEP officials provided us with a draft COOP plan dated October 2015 and other documentation describing BEP's security policies, emergency response plans, and COOP planning. BEP officials told us that BEP had not finalized a COOP plan since its last plan, which was finalized in 2002. BEP officials also told us that the 2002 plan was out-of-date and not applicable to current operations.

FCD 1 requires that all organizations develop and document a continuity plan and supporting procedures and that those plans are

updated and reviewed annually by the organization head or designee. In addition, Treasury has directed that all bureaus shall ensure effective execution of plans and procedures for emergency preparedness.¹¹ Treasury's *Business Continuity Contingency Plan* requires that each subcomponent agency within Treasury maintain a COOP plan.¹²

BEP officials told us that the COOP plan had not been finalized because BEP was focusing its resources on implementing a business continuity software application called Sustainable Planner.¹³ BEP officials stated that their goal was to capture all of BEP's processes within the software and then to focus on developing BEP's COOP plan through Sustainable Planner. BEP officials also cited a lack of available personnel as a reason for not having a completed COOP plan, as BEP does not have the resources available to work on both a written COOP plan and Sustainable Planner.

BEP's Fiscal Year 2015 Statement of Assurance of Continuity Capability, submitted to Treasury's Assistant Secretary for Management (who acts as Treasury's Continuity Coordinator) stated that BEP did not have a completed COOP plan. However, the Statement of Assurance cited that BEP had many of the essential elements required by FCD 1.¹⁴

Although BEP did not have a finalized COOP plan at the time of our audit, BEP did have procedures for emergency planning and has

¹¹ Treasury Directive 23-01, dated January 27, 2012, designates to OEP the responsibility to administer Treasury emergency programs and discusses the roles of the Bureaus and Departmental Offices for emergency management and continuity coordination. This Directive applies to all bureaus, offices, and organizations within Treasury.

¹² Treasury's Business Continuity Contingency Plan establishes Treasury's approach to continuity of operations, and aligns and unifies Treasury's offices and bureau continuity planning efforts. The plan is written by Treasury's OEP, the agency in Treasury that is responsible for overall continuity planning, to meet the requirements of the National Continuity Policy and FCD 1.

¹³ Sustainable Planner is a business continuity application offered by Virtual Corporation, Inc., which also contains COOP planning. The software provides storage, risk management, and continuity planning items. The contract is a firm-fixed price contract for a base year and three option years. The contract includes software implementation and on-going support. We did not review this contract as part of our audit.

¹⁴ The National Continuity Policy requires that each executive branch organization have a Continuity Coordinator at the assistant secretary or equivalent level who represents their department or agency and ensures continuity capabilities in the organization.

conducted various incident response drills such as active-shooter simulations, hazardous material spill exercises, and fire drills.

BEP has a Security Manual that serves as BEP's overarching guidance for the Office of Security and includes a checklist for responses to certain events and emergency management.¹⁵ In addition to BEP's overall guidance, the ECF relies on various procedures for emergency planning, including those for environmental management, emergency action, fire prevention, and police response. ECF has also performed an overall facilities risk assessment, which was centered on possible threats to building security. WCF's emergency response actions are contained within WCF's *Integrated Contingency Plan (ICP)*.¹⁶

Although not the focus of this audit, we did note that BEP has considered physical, security, and environmental risks and emergency response as part of its normal operations. However, we found that BEP's procedures for emergency planning have not been updated recently and were scattered across many different documents. WCF officials stated that they plan for their ICP to contain the following: occupancy emergency, facilities response, facilities security, procedures for the emergency operations center, BEP's overall COOP plan, WCF's local COOP plan, training and exercises, and risk assessments. WCF officials stated that the plan to develop the ICP into a consolidated reference for all emergency planning will help to incorporate emergency response and continuity planning into daily operations, which is a requirement of NSPD-51/HSPD-20 and the FCDs. ECF officials stated that ECF primarily relies on police orders for emergency response and did not have procedures similar to the ICP.

¹⁵ BEP's Office of Security is responsible for personnel and physical security of the BEP.

¹⁶ The purpose of the ICP is to provide guidance, instructions, and procedures to BEP WCF personnel at all levels in the event of an emergency, as well as to provide procedures for preparing for and minimizing emergency situations. The ICP is designed to minimize the hazards to human health and the environment due to spills, fires, explosions, unplanned incidents, catastrophic occurrences, threats, or loss of utilities.

BEP's Draft COOP Plan Was Focused on Supporting Administrative Functions Only and Did Not Include Critical Support

BEP's draft COOP plan and associated documentation showed that BEP's overall plan for a COOP event was to shut down production at the affected facility and use telework for conducting administrative functions only. The draft COOP plan is contingent on BEP's assumption that operations will be unaffected and available to support actions directed by the BEP Director, or the Director's successor, at BEP's alternate production facility. Also, the draft COOP plan acknowledges that if the Federal Reserve stock of currency nears depletion, BEP may receive a request to resume operations. The draft COOP plan identifies WCF as a back-up site for BEP's COOP Incident Management Team if telework or the primary site is unavailable. The draft COOP plan references continuity sites that BEP no longer intends to use and the plan was primarily focused on ECF, and WCF to a lesser extent.

BEP officials told us that the COOP plan was meant to be BEP's overall COOP plan. WCF officials stated that they were working to create a local COOP plan, which they planned to incorporate into BEP's overall COOP planning as a separate document.

The draft COOP plan was missing critical supporting documentation, although BEP used the most recent version of FEMA's *Continuity Plan Template for Federal Departments/Agencies* that outlines all FCD requirements, including the requirements to identify Essential Functions.¹⁷ Examples of missing critical supporting documentation required by the FCDs are shown in Table 1 below.

¹⁷ The purpose of FEMA's *Continuity of Operations Plan Template for Federal Departments and Agencies* (April 2013) is to provide instructions, guidance, and sample text for the development of Continuity plans and programs in accordance with FCDs 1 and 2 for the Federal executive branch.

Table 1. Examples of Critical Supporting Documentation Missing from BEP's Draft COOP Plan

Element	Missing Documentation
Essential Functions	<p>BEP was missing support for the determination of essential functions, including PMEfs and MEFs. Also, BEP was missing support for having conducted a Business Process Analysis (BPA). The Business Process Analysis (BPA) is a systematic method of identifying and documenting all the elements necessary to perform each organizational MEF. The determination of MEFs and PMEfs are central to COOP planning and the ability to meet essential needs during an emergency. FCD 1 requires that organizations must annually review their essential functions and BPA and document the date of the review and names of personnel conducting the review. FEMA's most recent version of FCD 1, dated January 17, 2017, requires that essential functions and BPAs be reviewed biennially.</p> <p>The draft COOP plan indicated that the worksheet supporting the determination of BEP's essential functions had been completed and was attached; however, the worksheet was not attached and BEP did not provide the document to us when requested.</p> <p>BEP officials told us that they did not conduct a BPA when drafting the COOP plan but planned to incorporate it into Sustainable Planner.</p>
Risk Management	<p>BEP was missing support for COOP Risk Management analysis, including the Business Impact Analysis (BIA). The BIA is a method of assessing comparative risk for MEFs and PMEfs, to include the processes that support them. FCD 1 requires that a formal review of the risk management process be conducted at least every five years.</p> <p>BEP officials told us that they did not conduct this analysis when drafting the COOP plan but planned to incorporate it into Sustainable Planner.</p>
Budgeting and Acquisition of Resources	<p>BEP was missing support for the COOP budget and acquisition of resources. FCD 1 requires that organizations develop a continuity Multi-Year Strategy and Program Management Plan that provides for the development, maintenance, and annual review of continuity capabilities which includes performance of essential functions, planning, testing, and budgetary requirements for these items, among other items.</p> <p>The draft COOP plan stated that BEP budgets for and acquires those capabilities essential to continuity and that supporting documentation is maintained. However, BEP did not provide the documentation to us when requested.</p> <p>BEP officials told us that they do not have a specific budget or line item for COOP, but funding was available and sufficient for all necessary COOP expenditures.</p>
Orders of Succession	<p>BEP was missing orders of succession. FCD 1 states that organizations must establish and document, in advance, the legal authority for the position of organization head and other key supporting positions to make key policy decisions during a continuity situation. Also, organizations must inform those officials listed within the delegations of authority who might be expected to assume authorities in a continuity activation. Orders of succession should be at least three personnel deep and developed for all key leadership positions.</p> <p>The draft COOP plan stated that BEP had developed orders of succession that were eight personnel deep and referenced an attachment; however, the attachment was not included.</p> <p>BEP officials did not provide orders of succession to us when requested and said that some directives were in the process of being revised.</p>

Delegation of Authority	<p>BEP was missing delegation of authorities. FCD 1 states that organizations must establish and document in advance the legal authority for the position of Organization Head and other key supporting positions to make key policy decisions during a continuity situation.</p> <p>The draft COOP stated that BEP has predetermined delegations of authority that will take effect when normal channels of direction are disrupted. The draft COOP plan also stated that individuals with possible delegated authorities have been notified. We requested supporting documentation for those statements but BEP did not provide the documentation requested.</p> <p>BEP officials told us that they do not have formalized delegations of authority.</p>
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Test, Training, and Exercises	<p>BEP was missing documentation for COOP-related TT&E. FCD 1 states that organizations must develop and maintain a continuity TT&E program for conducting and documenting TT&E. Organizations must document all conducted events, including documenting the date of the event, those participating in the event, and the results of the event. Training and exercises must be conducted annually.</p> <p>The draft COOP plan stated that BEP maintains a “robust TT&E program” and it outlines BEP’s plan for tests of capabilities, training, and COOP exercises including a Corrective Action Program.</p> <p>BEP officials told us that they outlined various exercises that BEP had conducted, including their involvement in FEMA’s 2012 government-wide exercise called Eagle Horizon, and an extensive BEP active-shooter exercise; however, none of the exercises conducted have led to a full test of BEP’s COOP capabilities during an event. Officials at ECF told us that Incident Response Team members had participated in a COOP specific briefing once before. Officials at WCF told us that they had not done COOP specific training. Regardless of the extent of exercises and training conducted, BEP did not thoroughly record the activity and provided us with limited supporting documentation.</p>
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Source: Office of Inspector General (OIG) analysis of BEP’s COOP planning documentation.

We believe that significant value is added by having robust business and contingency planning that goes from essential function and risk identification, management, and mitigation, to creating formalized living policies and procedures, and is then followed up with exercises and training. According to FCD 1, continuity planning is simply the good business practice of ensuring the execution of essential functions through all circumstances and it is a fundamental responsibility of public and private entities responsible to their stakeholders. While we recognize that BEP has taken steps to finalize its COOP plan by working to implement Sustainable Planner and has worked to finalize its written COOP plan, additional work is needed for BEP’s COOP planning to be considered adequate.

Recommendation

We recommend the Director of BEP:

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1. Finalize BEP's COOP plan. The plan should include, among other things, plans specific to both facilities and supporting documentation required by FEMA's FCDs, such as business process and impact analyses to address risk and a comprehensive TT&E program.

Management Response

BEP management concurred with the recommendation. According to its response, BEP will finalize its COOP plan. Presently, BEP's plan includes a core document and supporting plans for each facility as well as order of succession and delegation of authority for each. Business Impact Analyses were completed and updated. BEP conducted six different types of exercises in 2017 with documented After Action Reports. According to BEP management, these reports are tracked and prioritized as part of a corrective action program, and will be incorporated into the exercise planning for 2018.

OIG Comment

BEP's planned and taken actions meet the intent of our recommendation.

Finding 2 BEP's Draft COOP Plan Did Not Identify MEFs

BEP's draft COOP plan did not identify any MEFs and stated that BEP had no essential functions that need to be continued uninterrupted during an emergency to support a NEF. Board officials questioned BEP's MEF determination and told us that BEP provided services that directly support the Board and cannot be deferred during an emergency. FEMA officials told us that BEP should have identified MEFs based on the requirements identified in FCD 2.

Although the draft COOP plan identified that BEP has essential functions, it stated that BEP "does not have any PMEFS as defined by FCD 2 that need to be continued uninterrupted or resumed within 12 hours, regardless of the circumstances to support a

National Essential Function.”¹⁸ In this regard, the draft COOP plan recognized two critical assumptions: first, that WCF operations are unaffected and available to support actions directed by the BEP Director, or the Director’s successor; second, that if and when the Federal Reserve stock piles nears depletion, BEP may receive a request from the Board to resume operations.

BEP officials told us that Treasury officials determine if a Treasury component organization like BEP has a MEF, which is based on whether a component organization’s functions support a Treasury PMEF. BEP officials said that the printing of currency does not support a Treasury PMEF and is therefore not a MEF.

BEP officials also told us that BEP, OEP, and the Board had discussions in 2009 and determined that BEP did not have a MEF because there was an understanding that the Board had currency reserves, and production during an emergency would not be needed. In a 2009 email correspondence, BEP questioned OEP about whether BEP should have MEFs; OEP officials confirmed that BEP did not have any MEFs.

BEP officials told us that it was their understanding that there is 4 to 5 years’ worth of currency in circulation and that the Board could simply alter its shred rate if necessary to maintain the correct amount in circulation.¹⁹ Additionally, BEP officials told us that WCF was built as a continuity site for redundant currency production operations and that either production facility was independently capable of meeting the Board’s production demands.

We asked BEP officials if physical security or the protection of vaults or sensitive printing equipment should be a MEF. The officials told us that they considered physical security and the protection of production equipment as a supportive function, and supportive functions per FCD 2 are not to be considered MEFs.

¹⁸ BEP’s draft COOP plan identified the following Essential Functions: manufacturing, processing, and storing Federal Reserve Notes; designing, engraving, and manufacturing instruments of reproduction for currency production; security; environmental health and safety; engineering and production support; procurement services; personnel services; information technology; and financial management.

¹⁹ The Board is responsible for the destruction of worn currency. The shred rate is the rate at which the Board removes worn currency notes from the economy. These destroyed currency notes are replaced with new notes manufactured by BEP.

FCD 2 states, however, that Essential Supporting Activities are critical functions that an organization must continue during continuity activation, but that do not meet the threshold for MEFs or PMEFs.

OEP officials confirmed that they had discussions in 2009 with BEP and the Board regarding the determination of BEP's essential functions. OEP officials also confirmed that the Board determined that Board had enough currency on-hand that BEP did not need to print currency within the 30-day timeframe stated in the requirements of FCD 1.²⁰ OEP told us that BEP has responsibilities during a continuity situation, but those functions were not necessarily considered COOP essential functions, and therefore did not need to be a MEF. They agreed with BEP's determination that the protection of currency production equipment falls under physical security, a supportive function, which should not be a MEF.

Board officials stated that they could not recall discussions with BEP and OEP regarding the determination of BEP's MEFs. Board officials told us that the Board and its Reserve Banks had functions dependent on BEP during a COOP event and that the Board's COOP plan identified MEFs that BEP directly supported. Board officials were surprised that BEP had not identified any MEFs because BEP's main mission was to produce currency and provide that currency to the Board. They thought that BEP should have identified as MEFs its support and continuation of the functions necessary for the Board to meet its mission, as well as security over that process. Board officials questioned BEP's ability to meet production demands from a single site and did not agree with BEP's assertion that currency production would not be needed during a COOP event because of the Board's currency reserves. The officials also said that the Board has currency reserves which could meet current demand for at least 40 days.

Board officials told us that BEP did not involve the Board in BEP's COOP planning process. Board officials believed that the Board should be partners with BEP in the development of BEP's COOP

²⁰ FCD 1 states that an organization must ensure the continuation of essential functions during a crisis and sustainment for up to 30 days or until normal operations resume.

plan since the Board is BEP's primary customer and knows what production is needed during a COOP event.

BEP officials told us that the Board was not directly involved in BEP's COOP planning. BEP officials told us that the Board's desire for greater involvement in BEP's COOP planning was consistent with the Board's increased involvement with BEP's operations and that the extent of the Board's future involvement in BEP's COOP planning would need to be determined by BEP's Senior Management. BEP officials disagreed with Board officials about what would be needed during a COOP event and maintained that BEP does not have any MEFs.

FEMA officials told us that in their judgement BEP should probably have MEFs based on the language in FCD 2:

"MEFs are those essential functions directly related to accomplishing the mission of the organization. Generally, a MEF is unique to the department/agency – most other departments/agencies do not perform this function. MEFs are those functions the departments/agencies perform to provide vital services, exercise civil authority, maintain the health and safety of the general public, and sustain the economic/industrial base during a disruption of normal operations."

FEMA officials told us that BEP's role in the manufacturing of currency was unique to BEP and supported "sustaining" the economic and industrial base. They believed that BEP's manufacturing and processing of reserve notes (including the security over designs and the equipment) and storage of the reserve notes (including security) should probably be MEFs.

FEMA officials told us that although BEP could perhaps postpone a MEF during an emergency event, the responsibility over the MEF could not be deferred. Additionally, the need to identify the function as a MEF cannot be negated; redundant operations, such as BEP's alternate production facility or the Board's currency reserves, may allow BEP to postpone performing the MEF during a COOP event, but those operations should still be part of BEP's

reconstitution or devolution plans as BEP moves to restore operations to meet its mission after an emergency event.²¹

FEMA officials told us that component level agencies and bureaus were responsible for determining their own MEFs and clarified that a PMEF is a MEF that supports the NEFs and cannot be postponed during an emergency.²² According to FEMA officials, COOP should continue until all normal operations can be reconstituted.²³ FEMA officials told us that nearly all executive department agencies will have MEFs, and that even if an agency did not have a MEF, agencies are still required to have a COOP plan.

According to FCD 1, organizations must identify and prioritize their essential functions, using the methodology outlined in FCD 2, and document them in its continuity plan. This includes identifying all functions the organization performs and determining if they are MEFs using mission versus non-mission criteria and essential versus non-essential criteria. In addition, FCD 1 specifies that organizations must identify those essential functions that provide interdependent support to an essential function performed by another organization, including when and where the vital support would be provided. While we recognize that BEP made a concerted effort to identify its MEFs in conjunction with OEP and the Board, we believe that BEP has not appropriately identified its MEFs.

Recommendation

We recommend the Director of BEP:

1. Work with the Board, in consultation with FEMA's National Continuity Programs Office as necessary, to determine BEP's MEFs and if any of those functions support other organizations' MEFs.

²¹ Reconstitution plans outline the process by which surviving and/or replacement organization personnel resume normal organization operations from the original or replacement primary operating facility. Devolution plans outline the transition of roles and responsibilities for performance of essential functions through pre-authorized delegations of authority and responsibility.

²² According to FEMA, the determination that a MEF supports a NEF, and is also a PMEF, is done at the Department level – i.e. the Treasury OEP level.

²³ FCD 1 requires that PMEFs be performed continuously during an event, or resumed within 12 hours of an event, and must be maintained for up to 30 days after an event or until the resumption of normal operations.

Management Response

BEP management responded that Treasury has not designated banknote production as a MEF for the purposes of COOP planning. In 2008 and 2014, in accordance with FCD 2, Treasury identified its MEFs. In consultation with BEP and the Board, Treasury determined that the Federal Reserve maintained a sufficient supply of Federal Reserve notes such that production could be suspended for more than 30 days during an emergency. However, establishing even a temporary facility capable of producing Federal Reserve notes would require years of effort, far in excess of the amount of time during which any existing supply of notes could meet the demands of the economy. Also, consistent with the recently updated and reissued FCD 2, Treasury is currently reviewing its MEFs, and will submit an updated list to FEMA by August 1, 2018. BEP will consult with Treasury and support this review to include consultations with the Board to determine if BEP has a MEF or if any of the BEP functions support other organizations' MEFs.

OIG Comment

BEP's planned and taken actions meet the intent of our recommendation.

* * * * *

We appreciate the cooperation and courtesies extended to our staff during the audit. If you wish to discuss the report, you may contact me at (617) 223-8638 or Mark Ossinger, Audit Manager, at (617) 223-8643. Major contributors to this report are listed in appendix 4. A distribution list for this report is provided as appendix 5.

/s/

Sharon Torosian

Audit Director, Manufacturing and Revenue

Our audit objective was to assess the Bureau of Engraving and Printing's (BEP) Continuity of Operations (COOP) plans for currency production should a major disruption occur at one or both of its production facilities.

To accomplish our objective, we reviewed Presidential Executive Orders and Federal guidance that comprise our nation's National Continuity Policy and COOP planning requirements, including National Security Presidential Directive (NSPD)-51/Homeland Security Presidential Directive (HSPD)-20; National Continuity Policy Implementation Plan; Federal Continuity Directive (FCD) 1, *Federal Executive Branch National Continuity Program and Requirements* (2012); and FCD 2, *Federal Executive Branch Mission Essential Function and Candidate Primary Mission Essential Function Identification and Submission Process* (July 2013).²⁴ We reviewed BEP's draft COOP plan and respective documentation and assessed them against Federal Emergency Management Agency's (FEMA) FCDs. Appendix 2 provides more detailed information on the FCDs.

To gain an understanding of BEP's COOP planning and operations, we interviewed BEP officials and staff and conducted tours of BEP's Eastern and Western Currency Facilities (ECF/WCF). External to BEP, we interviewed officials from Department of the Treasury's (Treasury) Office of Emergency Preparedness (OEP), the Board of Governors of the Federal Reserve System (Board), and FEMA.

At BEP, we interviewed:

BEP Headquarters and ECF -

- Chief, Office of Security
- Deputy Chief, Office of Security
- Internal Review Division Manager, Office of Compliance
- ECF Emergency Management Specialist

²⁴ During fieldwork, we reviewed NSPD-51/HSPD-20, and the corresponding National Continuity Policy Implementation Plan, as criteria for this audit; however, these policies were superseded by Presidential Policy Directive 40, which was signed on July 15, 2016, subsequent to the scope of our audit. Additionally, FEMA released an updated version of FCD 1 dated January 17, 2017, subsequent to the scope of our audit. The criteria used during our audit included NSPD-51/HSPD-20 and the FCD 1 dated 2012. The updates reflected in Presidential Policy Directive 40, and the January 17, 2017, version of FCD 1, do not change the results of our audit.

BEP WCF -

- Manager, Security Division
- Manager, Physical Security Branch
- Manager, WCF Compliance Division
- WCF Emergency Management Specialist
- WCF Assistant Police Chief

External to BEP, we interviewed:

- OEP's Acting Director and a Senior Policy Advisor/Project Manager, to gain an understanding of OEP's involvement in BEP's COOP planning, training, and exercises, as well as BEP's reporting and other obligations to OEP, as part of Treasury's overall COOP planning.
- The Board's Assistant Director, Division of Reserve Bank Operations & Payment Systems, and a Financial Analyst, Division of Reserve Bank Operations & Payment Systems to gain an understanding of the Board's involvement and satisfaction with BEP's COOP planning and to determine BEP operations critical to the Board.
- FEMA National Continuity Programs Office's Federal Branch Chief and a Continuity Operations Specialist to gain an understanding of FEMA's perspectives on the continuity requirements required by NSPD-51/HSPD-20 and FCDs and to gather FEMA's opinions on whether those requirements were met in BEP's COOP planning.

In addition to the interviews with BEP officials, we toured ECF and WCF to gain a general understanding of BEP's operations, which included: BEP's plate making areas; currency production and storage areas; production monitoring areas; and, BEP's Police Operations/Command Centers and Emergency Operations Centers.

We performed our fieldwork from January 2016 through May 2017.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require

that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis 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.

National Continuity Policy

The U.S. Government's National Continuity Policy, as outlined in the May 4, 2007, National Security Presidential Directive (NSPD)-51/Homeland Security Presidential Directive (HSPD)-20 establishes the requirement for each department and agency of the executive branch to maintain a comprehensive and effective continuity capability composed of Continuity of Government and Continuity of Operations (COOP) programs.

- *Continuity of Government* refers to a coordinated effort within the executive branch to ensure that National Essential Functions (NEFs) continue to be performed during a catastrophic disaster or emergency.²⁵
- *COOP* refers to an effort within individual executive departments and agencies to ensure that Primary Mission Essential Functions (PMEFs) continue to be performed during a wide range of disasters or emergencies.²⁶

These programs are to ensure the preservation of our form of government under the Constitution, including the functioning of the three separate branches, and the continuing performance of NEFs under all conditions. The eight NEFs are as follows:

1. Ensuring the continued functioning of our form of government under the Constitution, including the functioning of the three separate branches of government;
2. Providing leadership visible to the Nation and the world and maintaining the trust and confidence of the American people;
3. Defending the Constitution of the United States against all enemies, foreign and domestic, and preventing or interdicting attacks against the United States or its people, property, or interests;

²⁵ NEFs, as defined in NSPD-51/HSPD-20, represent the overarching responsibilities of the Federal Government to lead and sustain the Nation during a catastrophic emergency and will be the primary focus of the Federal Government's leadership during and in the aftermath of an emergency.

²⁶ PMEFS, as defined in NSPD-51/HSPD-20, are those department and agency Mission Essential Functions that must be performed to support or implement the performance of the National Essential Functions before, during, and in the aftermath of an emergency. They are required to be performed continuously during an event or resumed within 12 hours of an event, and to be maintained for up to 30 days after an event or until the resumption of normal operations.

4. Maintaining and fostering effective relationships with foreign nations;
5. Protecting against threats to the homeland and bringing to justice perpetrators of crimes or attacks against the United States or its people, property, or interests;
6. Providing rapid and effective response to and recovery from the domestic consequences of an attack or other incidents;
7. Protecting and stabilizing the nation's economy and ensuring public confidence in its financial systems; and
8. Providing for critical Federal Government services that address the national health, safety, and welfare needs of the United States.

National Continuity Policy Implementation Plan

In August 2007, the President approved the National Continuity Policy Implementation Plan (NCPIP). This plan augments the National Continuity Policy and provides guidance to executive branch departments and agencies on how to implement the National Continuity Policy, established in NSPD-51/HSPD-20, which includes identifying and carrying out their PMEFs that supports the eight NEFs.

The NCPIP is intended to be a comprehensive and integrated list of directives for the Federal executive branch in order to ensure the effectiveness and survivability of our national continuity capability. Also, the NCPIP directs that continuity planning occur simultaneously with the development of Federal department and agency programs and that organizations must incorporate redundancy and resiliency as a means and an end.²⁷

The NCPIP also defines the roles, functions, and action items of the Nation's senior continuity officials, as follows:

- The National Continuity Coordinator is responsible for coordinating, without exercising directive authority, the

²⁷ The National Continuity Policy makes clear that continuity planning for execution of Federal executive branch essential functions must be integrated into daily operations, functions, plans, and mission areas.

development and implementation of continuity policy for executive departments and agencies;

- The Secretary of Homeland Security serves as the President's lead agent for coordinating continuity operations and activities; and
- Continuity Coordinators at each executive department and agency are the senior accountable officials at the Assistant Secretary level (or equivalent) responsible to work with their department or agency head to ensure effectiveness and survivability of the organization's continuity capability.

Under the NCPIP, the Federal Emergency Management Agency (FEMA) is responsible for coordinating the implementation, execution, and assessment of continuity activities and programs. This includes developing and promulgating Federal Continuity Directives (FCD) that establish continuity planning requirements, including continuity plan templates to assist departments and agencies and others in developing internal continuity processes and procedures; Tests, Training, and Exercises (TT&E) programs; and, assessment criteria for executive departments and agencies.

Federal Continuity Directive 1

Federal Continuity Directive 1, *Federal Executive Branch National Continuity Program and Requirements* (2012), provides operational direction for the development of continuity plans and programs for the Federal executive branch.²⁸

FCD 1 states that a viable COOP program will include the following 10 primary elements:

1. *Essential Functions* – Those functions an organization must continue in a continuity situation.²⁹ These essential functions are then used to identify supporting activities and resources

²⁸ FCD 1 was updated by FEMA on January 17, 2017, subsequent to the scope of our audit. The updates reflected in the January 17, 2017, version of FCD 1 do not change the results of our audit.

²⁹ According to FEMA's website, a continuity plan could be activated in response to a wide range of events or situations, including fires, natural disasters, and the threat or occurrence of a terrorist attack. Any event that makes it impossible for employees to work in their regular facility could result in the activation of the continuity plan.

that must be included in the organization's continuity planning process.

2. *Orders of Succession* – A formal, sequential listing of organization positions (rather than specific names of individuals) that identify who is authorized to assume a particular leadership or management role under specific circumstances.
3. *Delegations of Authority* – Identification, by position, of the authorities for making policy determinations and decisions at headquarters, regional and field levels, and all other organizational locations. Generally, pre-determined delegations of authority will take effect when normal channels of direction have been disrupted and will lapse when these channels have been re-established.
4. *Continuity Facilities* – A comprehensive term, referring to both continuity and devolution sites, places other than the organization's normal operating location, where essential functions are continued or resumed during a continuity event.
5. *Continuity Communications* – An integrated, comprehensive, interoperable information capability, that describes the data, systems, applications, technical standards, and underlying infrastructure required to ensure that organizations can execute their essential functions and under all circumstances.
6. *Essential Records* – Information systems and applications, electronic and hardcopy documents, references, and records needed to support essential functions during a continuity event.
7. *Human Resources* – Provides guidance to all employees and specifically to employees who are activated by an organization to perform assigned duties during continuity operations.
8. *TT&E* – Measures to ensure that an organization's continuity plan is capable of supporting the continued execution of the

organization's essential functions throughout the duration of a continuity event. TT&E activities are designed to familiarize, impart skills and ensure viability of continuity plans.

9. *Devolution* – Requires the transition of roles and responsibilities for performance of essential functions through pre-authorized delegations of authority and responsibility. Devolution is a continuity option instead of, or in conjunction with, relocation in order to ensure the continued performance of essential functions.
10. *Reconstitution* – The process by which surviving or replacement organization personnel resume normal organization operations from the original or replacement primary operating facility.

FCD 1 also includes four supportive elements of COOP planning that include Program Management, Risk Management, Budgeting, and Continuity Plan Operational Phases and Implementation.

Federal Continuity Directive 2

FCD 2, *Federal Executive Branch Mission Essential Function and Candidate Primary Mission Essential Function Identification and Submission Process* (July 2013), provides direction and guidance to Federal entities for identification of their mission essential functions (MEFs) and potential PMEFS.³⁰ It also includes checklists to assist in identifying essential functions through a risk management process and identify potential PMEFS that support specific NEFs.

³⁰ MEFs are department and agency-level government functions that must be continued after a disruption of normal activities. MEFs may or may not be PMEFS.



DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
WASHINGTON, D.C. 20228

January 17, 2018

Sharon Torosian
Director
Department of the Treasury
Office of Inspector General
Boston, MA

We have reviewed the Treasury, Office of Inspector General's Discussion Draft Report for the Audit of BEP's Continuity of Operations Plan, and have no suggested changes or concerns. We appreciate the hard work that went into this audit and the creation of this report. Please find our management response to the audit recommendations below.

Finding 1 - Recommendation 1:

Finalize BEP's COOP plan. The plan should include, among other things, plans specific to both facilities and supporting documentation required by FEMA's FCDs, such as business process and impact analyses to address risk and a comprehensive TT&E program.

Management Response:

We concur with this recommendation and will finalize the BEP COOP plan.

Presently, our plan includes a core document and supporting plans for each facility as well as order of succession and delegation of authority for each. Business Impact Analyses were completed and updated. We conducted six different types of exercises in 2017 with documented After Action Reports. These reports are tracked and prioritized as part of a corrective action program, and will be incorporated into the exercise planning for 2018.

Finding 2 - Recommendation 1:

Work with the Board, in consultation with FEMA's National Continuity Programs Office as necessary, to determine BEP's MEFs and if any of those functions support other organizations' MEFs.

Management Response:

Treasury has not designated banknote production as a mission essential function for the purposes of continuity of operations planning. In 2008 and 2014, in accordance with Federal Continuity Directive 2, Treasury identified its mission essential functions,

Appendix 3
Management Response

i.e. those functions that must be sustained or restored within 30 days of any disruption to normal operations. In consultation with BEP and the Federal Reserve, Treasury determined that the Federal Reserve maintained a sufficient supply of Federal Reserve notes such that production could be suspended for more than 30 days during an emergency. However, establishing even a temporary facility capable of producing Federal Reserve notes would require years of effort, far in excess of the amount of time during which any existing supply of notes could meet the demands of the economy. And consistent with the recently updated and reissued Federal Continuity Directive 2, Treasury is currently reviewing its mission essential functions, and will submit an updated list to FEMA by August 1, 2018.

BEP will consult with Treasury and support this review to include consultations with the Board to determine if we have a MEF or if any of the BEP functions support other organizations' MEF's.

Sincerely,



Leonard R. Olijar
Director

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Appendix 4
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