



Federal Housing Finance Board

FISCAL YEAR 2007 REPORTING FOR THE FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA) AND AGENCY PRIVACY MANAGEMENT

Audit Report 07-A-03-ISTS/OM

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1 EXECUTIVE SUMMARY

This annual report document meets the Federal Housing Finance Board Office of Inspector General's FY 2007 reporting requirements under the Federal Information Security Management Act of 2002 (FISMA) (Title III, Pub. L. No. 107-347). The annual report includes the following:

- Executive Summary
- The OIG reporting template in Section 8 of this report as required by Office of Management and Budget (OMB) memorandum (M-07-19) "FY 2007 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management", July 25, 2007.
- The plans required by OMB memorandum (M-07-16) of May 22, 2007, "Safeguarding Against and Responding to the Breach of Personally Identifiable Information" as an Appendix 1 to this annual report. The following agency's plans and policies were not available as of the date of this report.
 - Implementation plan and progress update on review and reduction of holdings of personally identifiable information (PII) (This was not available as of the date the report)
 - Policy outlining rules of behavior and identifying consequences and corrective actions available for failure to follow these rules (This was not available as of the date of the report)

1.1 FISMA Purpose and Objective

The Federal Housing Finance Board (Finance Board) (FHF) Office of Inspector General (OIG) engaged Brown & Company CPAs, PLLC to conduct an independent Fiscal Year (FY) 2007 Federal Information Security Management Act (FISMA) audit, in accordance with generally accepted Government Auditing Standards, of information security programs and practices at the FHF. As required by FISMA, the IG shall evaluate a representative subset of systems used or operated by the FHF or by a contractor of the FHF or other organization on behalf of the agency. The audit commenced on May 10, 2007 and was completed on August 31, 2007.

This report includes findings on the effectiveness of controls as required under the FISMA for protecting information security for Federal Housing Finance Board programs and systems. This includes the results of our tests of controls as required under FISMA. The report content permits the FHF Office of Inspector General to respond to specific items from the instructions for reporting on the FISMA.

The specific purpose and objective of our audit is detailed below:

- Evaluate the efficiency and effectiveness of the Finance Board's information security program in respect to the FISMA legislation;

- Evaluate the Finance Board’s progress in meeting responsibilities under FISMA;
- Evaluate the Finance Board’s progress in remediating prior audit recommendations relating to FISMA, and other security weaknesses identified;
- Evaluate the Finance Board’s progress in implementing its plan of action and milestones (POA&M); and
- Evaluate the sufficiency of the Finance Board’s security program to provide evidence so the Finance Board’s OIG can respond to OMB’s current reporting requirements for the FY 2007 reporting cycle.

1.2 FISMA Scope

The scope of the audit includes reporting on audit recommendations from the FY 2006 FISMA audit and testing the information security controls for a subset of agency systems for the FY 2007 period of October 1, 2006 through August 31, 2007. As stated in OMB M-07-19, Attachment for Reporting Template for Inspector Generals (IG), the IG shall evaluate a representative subset of systems used or operated by an agency or by a contractor of an agency or other organization on behalf of an agency. The subset of systems selected for detailed testing represented a logical selection of systems as a basis for determining the effectiveness of FHFBS’s overall security program.

The objective of this Federal Information Security Management Act (FISMA) audit was to assess the effectiveness of the controls over information security for FHFBS programs and systems. The FHFBS has the following four (4) systems classified as major applications:

Agency Systems	Contractor System
1. Infrastructure General Support System (GSS) – Major Application, and Voice over Internet Protocol (VOIP) which is a part of the GSS.	2. Financial Management System (hosted and operated by BPD/ARC) - Bureau of Public Debt’s ORACLE Federal Financial System (BPD Oracle FFS) - a Major Application.
3. Call Report System (CRS) – a Major Application.	4. Personnel-Payroll System (hosted and operated jointly by NFC and BPD/ARC) - Department of Agriculture’s National Finance Center (NFC), Personnel-Payroll System (PPS) – a Major Application

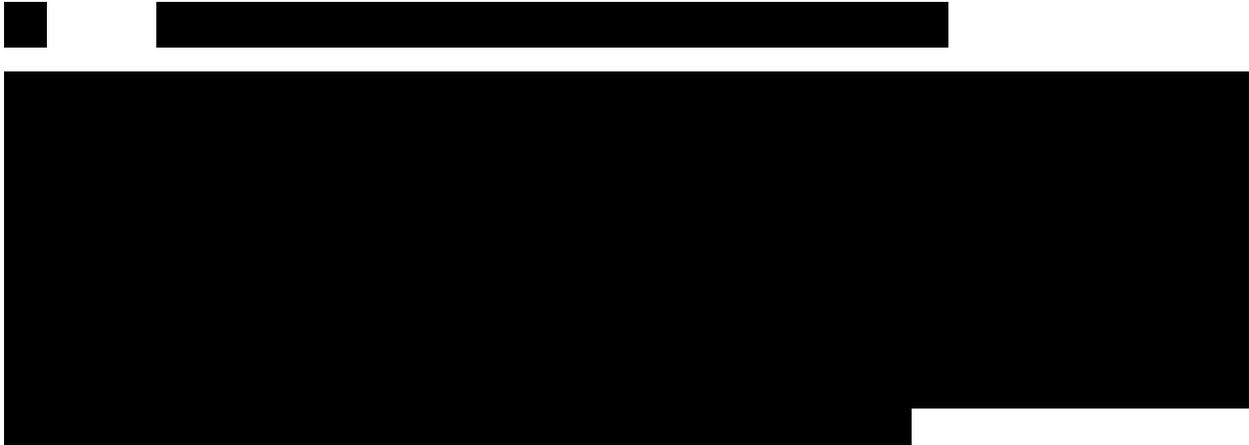
The IG selected a subset of three systems for the FY 2007 FISMA review: GSS, CRS, and BPD Oracle FFS. Limited review was conducted for the Personnel-Payroll System (PPS).

1.3 Background

FHFB is the regulator of the Federal Home Loan Bank System (FHLBank System), a network of 12 district Federal Home Loan Banks (FHLBanks) providing lending, deposit and other services to member institutions. It is a non-appropriated independent agency established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) to ensure that FHLBanks:

1. Operate in a safe and sound manner.
2. Carry out their housing finance mission.
3. Remain adequately capitalized and able to raise funds in the capital markets.

FHFB is supported by assessments from the 12 FHLBanks. No tax dollars or other appropriations support the operations of the FHFB.



2 FISMA FINDINGS

The Federal Information Security Management Act (FISMA) is the legislation that establishes the need for agency-security planning. The law requires each Federal agency to develop, implement and review a comprehensive agency-wide security program. The Act pertains to all systems supporting all operations of the agency including those systems currently in place or planned. The Act also extends to contractor systems if they are used by the agency to support operations. The agency head should submit an annual report to Congress summarizing the findings/issues found during the year. To accomplish these requirements, the Act suggested that agencies perform independent internal reviews and security testing.

Key FISMA requirements include:

- An annual independent evaluation of agency information systems security controls,
- An examination of the adequacy and effectiveness of information security policies, procedures and practices,
- An assessment of compliance with the requirements of the Act, and
- An annual report submitted to Congress by the agency head summarizing the findings and issues found during the year.

2.1 Summary of FISMA Findings

Findings and Recommendations

During the FY 2007 FISMA audit, we noted the following finding(s) as:

Significant Deficiencies:

There were no significant deficiencies noted.

Reportable Conditions:

We identified two new reportable conditions and three reportable conditions that have not been corrected since our fiscal year 2006 audit. Management concurred with our recommendations related to the two reportable findings for fiscal year 2007. However, they concurred with only two of the findings carried over from our fiscal year 2006 audit.