

PCAOB

Public Company Accounting Oversight Board

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July 2, 2012

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

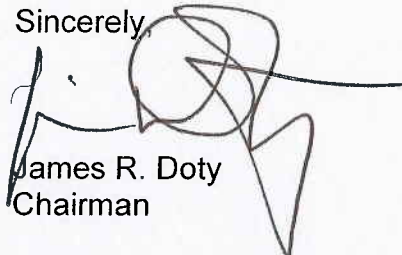
I am pleased to transmit to you a summary of the Public Company Accounting Oversight Board's most recent performance review, titled Review of Technology in Support of Business Continuity Planning at the PCAOB. The Board's Office of Internal Oversight and Performance Assurance ("IOPA") conducted this performance review. The Board formed IOPA to provide the Board, the Securities and Exchange Commission, and others assurance that the PCAOB is achieving the objectives of Title I of the Sarbanes-Oxley Act in an effective manner. IOPA conducts its reviews in conformance with Government Auditing Standards issued by the Comptroller General of the United States.

IOPA undertook this review to determine whether the PCAOB's business continuity planning can be adequately supported with technology as currently deployed.

IOPA made recommendations to the Chief Administrative Officer intended to facilitate discussion of technology in support of continuity planning, including costs and benefits, with the Board as expeditiously as possible. The CAO concurred with each of the recommendations and has already engaged the Board on plans to implement them.

The Board intends to publish the attached summary on the PCAOB's Web site on or about July 18, 2012. You and your staff should feel free to contact me or the Director of IOPA, Peter Schleck (202-207-9085), if you have any questions or would like any additional information about the review.

Sincerely,



James R. Doty
Chairman

Enclosure: Review of Technology in Support of Business Continuity Planning at the PCAOB (IOPA-2012-002), June 26, 2012

PCAOB

Public Company Accounting Oversight Board

cc: The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes
The Honorable Daniel M. Gallagher

PERFORMANCE REVIEW

REVIEW OF TECHNOLOGY IN SUPPORT OF BUSINESS CONTINUITY PLANNING AT THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (IOPA-2012-002)

INTERNAL OVERSIGHT AND PERFORMANCE ASSURANCE June 26, 2012

INTRODUCTION AND OBJECTIVE

Continuity planning has been defined as the good business practice of ensuring the execution of essential functions through emergency circumstances. Widely discussed in professional literature, continuity planning is considered a fundamental responsibility that public and private entities have to their customers, clients, and stakeholders. Consistent with this view, the Public Company Accounting Oversight Board's (PCAOB) Office of Administration (OA) has drafted business continuity documents to establish procedures for:

- Crisis management, including identifying a crisis management team, initiating emergency response operations, and coordinating emergency communications.
- Emergency preparedness, including identifying the type of emergency situation and invoking the appropriate level of response and, if necessary, coordinating evacuation.
- Continuity of operations, including mitigating the effects of business interruptions or emergencies, and supporting the performance of essential functions until normal operations can be restored.

OA intends that the procedures described in these documents, taken together, will provide an overall plan^{1/} designed to protect human life, as well as PCAOB facilities, equipment, and

^{1/} At the time of IOPA's review, OA's scope included the PCAOB's facilities in Washington, DC, and Ashburn, VA. Emergency preparedness efforts for PCAOB regional and satellite offices were to be coordinated by regional leaders. The draft business continuity planning documents at the time of our review were dated October 13, 2011.

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records; contain or mitigate emergency situations; and restore routine operations. During 2012, OA intends to test its plans against various emergency scenarios, finalize the documents, and communicate the plans to all PCAOB staff.

Internal Oversight and Performance Assurance (IOPA) conducted this review to determine whether the PCAOB's business continuity planning can be adequately supported with technology as currently deployed.^{2/}

RESULTS IN BRIEF

IOPA observed that, overall, OA's business continuity planning process and draft continuity planning documents appear reasonable and largely consistent with themes in professional literature. While the PCAOB is not required to follow continuity planning processes specified for Federal agencies, OA's approach does, in fact, include the key objectives such agencies must incorporate into their plans.^{3/}

We noted, however, that OA's draft continuity of operations plan raises, but does not completely address, a technology-related challenge the PCAOB would face in certain circumstances. Specifically, the draft plan notes that if an emergency were to occur after business hours, or if staff were required to evacuate expeditiously without the ability to return to the DC building, most staff members would not have access to the organization's laptops and desktops. The draft plan indicates that staff members' ability to communicate and telecommute would thus be limited, but then suggests that essential functions and operations could continue from alternate facilities which, for most employees, would be their homes.

IOPA discussed this issue with OA's Director of Compliance and Risk Management and with the Deputy Chief Administrative Officer (Deputy CAO) responsible for technology. The Director and the Deputy CAO acknowledged IOPA's observation that if staff members did not have their PCAOB-provided equipment, a longer-term scenario, one in which the PCAOB's DC offices were inaccessible for 30 days, for example, could represent a significant communications and continuity of operations challenge. The Deputy CAO told us that technology allowing PCAOB employees to work remotely from most internet-enabled devices – not just PCAOB-

^{2/} This is a public summary of the report. The full report, prepared in accordance with Government Auditing Standards, has been issued to the Board. The full report includes a detailed discussion of the review objective, scope, and methodology.

^{3/} As the focus of this review was technology, IOPA's review of overall private-sector standards and Federal Government requirements for business continuity was limited.

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owned equipment – is available and could be deployed on relatively short notice. At present, however, the existence of this capability has not been communicated to PCAOB staff, nor has it been widely tested.

The Deputy CAO indicated that while incorporating additional flexibilities, including the use of non-PCAOB devices, into the organization's approach to technology is a priority, it is one among many priorities facing the Office of Information Technology (OIT). Others include the need for certain infrastructure and software upgrades.

IOPA recognizes that the likelihood of PCAOB office space being inaccessible for an extended period could be considered remote. We also note, however, that the technology to mitigate the operational risks associated with such an event is readily available and is incorporated into continuity planning by other Washington, DC-based public interest organizations, including the Securities and Exchange Commission (SEC). As such, we made recommendations to the CAO aimed at bringing discussion of technology in support of continuity planning, including costs and benefits, to the Board as expeditiously as possible.

The CAO agreed with IOPA's recommendations and had begun discussions with the Board on these issues.