BUSINESS CONTINUITY

CALIFORNIA STATE UNIVERSITY,
LOS ANGELES

Audit Report 10-61
February 10, 2011

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ABBREVIATIONS

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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>BC</td>
<td>Business Continuity</td>
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<tr>
<td>BCP</td>
<td>Business Continuity Plan(s)</td>
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<td>BCPC</td>
<td>Business Continuity Planning Committee</td>
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<td>CGC-1</td>
<td>Continuing Guidance Circular 1</td>
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<tr>
<td>COOP/COG</td>
<td>Continuity of Operations/Continuity of Government Plan</td>
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<td>CSU</td>
<td>California State University</td>
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<td>EO</td>
<td>Executive Order</td>
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<td>OES</td>
<td>Office of Emergency Services</td>
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<td>ORM</td>
<td>Office of Risk Management</td>
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EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2009, the Board of Trustees, at its January 2010 meeting, directed that Business Continuity (BC) be reviewed. Similar audits of Business Continuity were performed during our Disaster and Emergency Preparedness audits in 2006.

We visited the California State University, Los Angeles campus from December 6, 2010, through December 16, 2010, and audited the procedures in effect at that time.

Our study and evaluation did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on BC activities. However, we did identify a control weakness that is described in the executive summary and body of this report. In our opinion, the operational and administrative controls for BC activities in effect as of December 16, 2010, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

BUSINESS CONTINUITY PLANNING [6]

Business continuity plans did not contain all required plan elements.
INTRODUCTION

BACKGROUND

Business continuity (BC) is the ability of an organization to provide service and support for its customers and to maintain viability following a catastrophic event. BC is closely related to emergency preparedness, as they both involve substantial planning, risk assessment, and evaluation of impact to the business. However, the two areas differ in scope. The goal of emergency preparedness is to address the immediate impacts of a disaster and to respond as needed to end the emergency. In contrast, BC is a broader process of preparation that includes disaster, response, recovery, mitigation, risk reduction, prevention, and preparedness.

A business continuity plan (BCP) defines how business activities will be restored after an interruption. Key resources for guidance in creating such a plan include the Federal Emergency Management Agency Continuity Guidance Circular 1 (CGC-1), Continuity Guidance for Non-Federal Entities, which provides broad principles that are applicable to agencies and businesses nationwide. In addition, the Continuity of Operations/Continuity of Government Plan (COOP/COG), released by the California Office of Emergency Services (OES) (now the California Emergency Management Agency), provides guidance on applying the principles put forth in CGC-1 within the State of California.

The California State University (CSU) system has been involved in BC activities for many years. However, it was not until recently that the CSU established formal guidelines for BC activities. In early 2006, the CSU Office of Risk Management (ORM) requested that each campus prepare a written BCP in the event a pandemic influenza were to occur. The ORM distributed the Avian Pandemic Influenza Business Continuity Planning Guide to all CSU campuses in order to aid campus staff involved in emergency and restoration planning to develop their own BCP. To ensure the adequacy and consistency of pandemic influenza BCPs systemwide, the ORM commissioned James Lee Witt Associates, a part of GlobalOptions Group, Inc., to review all pandemic influenza BCP and report the results to the ORM. In August 2007, James Lee Witt Associates’ Pandemic Influenza Business Continuity Plan Assessment Final Report was issued, and it provided key recommendations in the form of strategic themes for each campus and the entire CSU system as a whole.

In October 2007, the CSU finalized and implemented Executive Order (EO) 1014, California State University Business Continuity Program. It models the California OES COOP/COG, though in a streamlined format, and is a fundamental guidance document for the chancellor’s office and the campuses as they develop and implement BCP for essential business units. EO 1014 clearly defines responsibility for BC, including significant roles at the campuses, and outlines specific procedures for the business impact analysis, risk assessment, and development of BCP, as well as testing and exercising of BCP, maintenance of BCP, required communications, training, and record retention. It also indicates that BC programs at campuses must include disaster recovery planning, and therefore necessitates BCP for significant information technology areas.

Under the plan, any business unit that a campus deems essential must develop a business impact analysis, which is defined in EO 1014 as:

A process designed to prioritize business functions by assessing the quantitative (financial) and qualitative (non-financial) impact that might result if an organization was to experience a catastrophic
event. The business impact analysis will identify essential functions and workflow, determine the qualitative and quantitative impacts of a vulnerability/threat to essential functions, prioritize and establish recovery time objectives for the essential functions, and, if appropriate, establish recovery point objectives for essential functions.

In addition, each of these business units must develop a risk assessment, which is defined in EO 1014 as:

A process of identifying risks to an organization, assessing the essential functions necessary for an organization to continue business operations, defining the controls in place to reduce organization exposure, and evaluating the cost for such controls. Risk analysis often involves an evaluation of the probabilities of a particular event. The risk assessment will identify vulnerabilities and threats that may impact the business units' ability to fulfill the mission of the campus and define the controls in place to reduce the exposure to vulnerabilities/threats.
PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to BC and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the audit objective, specific goals included determining whether:

- Administration of BC incorporates a defined mission, stated goals and objectives, and clear lines of organizational authority and responsibility.

- The BC program as a whole coordinates and integrates with the emergency response plan, safety and health plans, or other related plans.

- Necessary contacts for essential business units have been identified.

- Policies and procedures around key aspects of BC programs have been documented and implemented.

- Business resumption and continuity strategies have been developed.

- Information backup procedures are sufficient to provide the availability of backup data subsequent to an emergency.

- Business impact analyses, risk assessments, and BCPs have been developed for each business unit identified as essential to operations continuity.

- Campuses have developed campuswide pandemic influenza BCPs, conducted periodic testing of the plans, and reviewed and updated the plans cyclically.

- BCPs are tested periodically, and test results and lessons learned are reviewed, documented, and applied.

- BCPs are adequately monitored and maintained.

- Ongoing communication of BC activities adequately provides oversight, monitoring, and feedback to involved management.

- A formalized BC training program exists, and all individuals responsible for developing and implementing BCP have been adequately trained.

- All BC records are maintained for no less than five years.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment B, Audit Agenda Item 2 of the January 26 and 27, 2010, meeting of the Committee on Audit stated that BC includes program and facility readiness and resource planning for the recovery, within a predetermined time, from any catastrophic event, be it natural or man-made. Proposed audit scope would include review of Trustee policy, systemwide directives, and campus policies and procedures; a study of the essential functions or operations following a catastrophic event; business impact analysis and risk assessment; BC and disaster recovery plans; testing and exercising of plans; plan maintenance, communications, and training; and necessary retention of key records.

Our study and evaluation were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. The audit focused on procedures in effect from December 6, 2010, through December 16, 2010.

A preliminary risk assessment of campus BC was used to select for our audit testing those areas or activities with highest risk. This assessment was based upon a systematic process using management’s feedback and professional judgments on probable adverse conditions and other pertinent information, including prior audit history in this area. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- Organization and responsibilities for BC.
- Cooperative interaction between the BCP and other internal plans and policies.
- Strategies for business resumption and continuity.
- Policies and procedures documenting key aspects of BC programs.
- Existence of business impact analyses and risk assessments.
- Existence, review, and testing of BCP and pandemic influenza BCP.
- Sufficiency of information backup and recovery procedures for critical data.
- Monitoring and maintenance of BCP and pandemic influenza BCP.
- Sufficiency of BC communications both on and off campuses.
- BC training and formalized training programs.
- Recordkeeping for BC.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

BUSINESS CONTINUITY PLANNING

Business continuity plans (BCP) did not contain all required plan elements.

We reviewed six individual BCPs and found that the following required elements were either not documented or not fully developed:

- An annual administrative review and/or update by the business unit.
- Approval and sign-off by the head of the business unit and the business continuity (BC) coordinator, or the business continuity planning committee (BCPC). Several of these plans were signed before the end of the audit.

Executive Order 1014, California State University Business Continuity Program, dated October 8, 2007, states that BCPs shall be approved/signed off by the head of the business unit and the BC coordinator, or the BCPC, and retained as indicated in Section IV.7. The university shall perform an administrative review of the BCPs at least annually, or more frequently as needed. The reviewed-as-of date shall appear on the plans after each review.

The provost and vice president for academic affairs stated that failure to perform the annual review was due to staff turnover, limited staffing, and other pressing priorities, such as the Western Association of Schools and Colleges accreditation in 2010. The director of public safety and university police noted that although plans were reviewed, a sign-off was not included due to oversight. He further stated that although management of the BCP process resides with the BCPC leadership, the responsibility for detailed compliance with the plan requirements are delegated to the various business unit leaders.

Failure to include all recommended elements in the BCPs increases the risk that essential campus functions would be unable to effectively and quickly recover from a catastrophe or disaster.

Recommendation 1

We recommend that the campus document or fully develop the following elements in each BCP:

a. An annual administrative review by the university.
b. Approval and sign-off by the head of the business unit and the BC coordinator, or the BCPC.

Campus Response

We concur. The BCPs will be revised to include the annual administrative review clause and will be signed off by the heads of the business units and the BC coordinators.

Implementation/completion date: March 15, 2011
# APPENDIX A: PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>James M. Rosser</td>
<td>President</td>
</tr>
<tr>
<td>Kyle Button</td>
<td>Vice President of Institutional Advancement</td>
</tr>
<tr>
<td>Lisa Chavez</td>
<td>Vice President, Administration and Chief Financial Officer</td>
</tr>
<tr>
<td>Kim Clapp</td>
<td>Director, Office of Disabled Students</td>
</tr>
<tr>
<td>Stephen Fleischer</td>
<td>Director, Housing Services</td>
</tr>
<tr>
<td>Jose Gomez</td>
<td>Associate Vice President for Administration and Finance</td>
</tr>
<tr>
<td>Tanya Ho</td>
<td>University Auditor</td>
</tr>
<tr>
<td>Monica Jazzabi</td>
<td>Director, Student Health Center</td>
</tr>
<tr>
<td>Thomas Johnson</td>
<td>Director, Procurement and Contracts</td>
</tr>
<tr>
<td>Greg King</td>
<td>Director of Public Safety and University Police</td>
</tr>
<tr>
<td>Thomas Leung</td>
<td>University Controller</td>
</tr>
<tr>
<td>Vince Lopez</td>
<td>Director, Admissions and Recruitment</td>
</tr>
<tr>
<td>Nancy Wada McKee</td>
<td>Assistant Vice President, Student Affairs</td>
</tr>
<tr>
<td>Karen Melick</td>
<td>Director, Administrative Technology</td>
</tr>
<tr>
<td>Tamie Nguyen</td>
<td>Director, Financial Aid</td>
</tr>
<tr>
<td>Sheryl Okuno</td>
<td>Director, ITS Security and Compliance</td>
</tr>
<tr>
<td>Chris Rapp</td>
<td>Director, ITS Infrastructure</td>
</tr>
<tr>
<td>Sal Rodriguez</td>
<td>Senior Auditor</td>
</tr>
<tr>
<td>Anthony Ross</td>
<td>Vice President for Student Affairs</td>
</tr>
<tr>
<td>Lisa Sanchez</td>
<td>Assistant Vice President, Human Resources Management</td>
</tr>
<tr>
<td>Mae Santos</td>
<td>Assistant Vice President for Administration and Finance</td>
</tr>
<tr>
<td>Ashish Vaidya</td>
<td>Provost and Vice President for Academic Affairs</td>
</tr>
<tr>
<td>Susan Varela</td>
<td>Director of Human Resources Management</td>
</tr>
<tr>
<td>Matt Warren</td>
<td>Fiscal Officer</td>
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February 17, 2011

Mr. Larry Mandel, University Auditor  
Office of the University Auditor  
Office of the Chancellor – The California State University  
401 Golden Shore, 4th Floor  
Long Beach, CA 90802-4210

Re:  University’s Response to Recommendations Contained in Report Number 10-61  
      Business Continuity

Dear Mr. Mandel:

Attached is the University’s response to the recommendation contained in Report Number 10-61, Business Continuity audit.

Please contact Tanya Ho, University Internal Auditor, at (323) 343-5102, if you wish to discuss the matter contained herein.

Sincerely,

[Signature]

James M. Rosser  
President

Attachment

cc:  (with attachments)  
      Lisa Chavez, Vice-President for Administration and Chief Financial Officer  
      Tanya Ho, University Internal Auditor  
      Jill Carnahan, University Compliance Officer
BUSINESS CONTINUITY PLANNING

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March 11, 2011

MEMORANDUM

TO: Mr. Larry Mandel
    University Auditor

FROM: Charles B. Reed
      Chancellor

SUBJECT: Draft Final Report 10-61 on Business Continuity,
         California State University, Los Angeles

In response to your memorandum of March 11, 2011, I accept the response as submitted with the draft final report on Business Continuity, California State University, Los Angeles.

CBR/amd