

## DISASTER PLANNING

**WILL YOUR CLIENT'S BUSINESS SURVIVE A DISASTER?**

By Joel Lanz, CPA, CITP

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Recent global events have changed the assumptions we make about potential events and their impact on the business that drives the continuity plan. As a result, many clients are in the process of reassessing business continuity risk strategies, and some are considering these strategies for the first time. What are the practical considerations businesses and their CPA advisors should consider as they revise or develop plans in a post-September 11 environment?

**Global Events Alter Assumptions**

Recent events have triggered a number of lessons learned, resulting in revised assumptions.

- ❖ **Greater consideration is given to whether the client might fit a terrorist target profile** by examining the location of client facilities, types of services provided, image of the client, and whether operations are conducted at or near landmark buildings and surrounding areas.
- ❖ **There is a greater potential for critical public infrastructures**, such as utilities, transportation and public safety, to be unavailable. Before September 11, especially in areas not historically subjected to severe weather conditions, this threat was generally recognized as a very low probability.

- ❖ **Expanded continuity planning actions relating to people now exist.** Although continuity plans always prioritized the safety of personnel, many plans — especially those focused on operational recovery instead of business continuity — gave minimal consideration to employees' mental well-being or the impact of commuting to a "long-distance" recovery site over an extended period of time.
- ❖ **The issue of adequate testing should be forced.** The extent of testing varies considerably by client, from none at all to actually shutting down operations and attempting a recovery. Many experts agree that, at a minimum, a *parallel level* of testing needs to be performed in which the plan is tested without disrupting business operations. As a result, participation in the test is limited.
- ❖ **Current interest in continuity planning should be leveraged to increase user involvement.** Although highly recommended, key client personnel previously were not extensively involved, partly because continuity planning was perceived to be a technology rather than business responsibility, as well as the low prioritization of these planning projects relative to other business initiatives.

The first step in assessing and reevaluating business continuity strategies is to determine whether the contingency plan is current. This typically would require reviewing the plan's assumptions (risk assessment and business impact) with key manufacturing, service delivery and relationship management personnel. Unless the client has an established process to maintain the con-

tinuity plan, the probability is that the plan will be somewhat outdated and irrelevant.

**Currency and Relevancy**

The following questions can guide the CPA to gauge the currency and relevancy of the plan (each "no" response should trigger suspicion).

- ❖ Was at least a parallel level test performed within the past 12 months?
- ❖ If yes, has the plan been updated to reflect the "lessons learned" from the test?
- ❖ Does the plan contain only currently employed personnel, along with current contact numbers and titles?
- ❖ Has the plan received significant review since first quarter 2000? By itself, this would not indicate a problem. However, for many organizations, preparing for Y2K was the last time they devoted significant effort to continuity planning.
- ❖ Has a function other than IT raised concerns about continuity efforts?
- ❖ Can key personnel access their copy of the plan within a reasonable period of time?
- ❖ On an ad-hoc basis, can responsible individuals describe their roles and responsibilities in a disaster accurately and completely?
- ❖ Are products/service introduced in the past six months addressed in the plan?

**Plan Quality**

To quickly gain an appreciation of the quality of the plan, the CPA should consider the extent to which the plan addresses some of the common mistakes found in business continuity plans.

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- ❖ Does the plan include public relations strategies and other crisis management initiatives (for example, a media relations strategy)?
- ❖ Are the key business managers involved and supportive of the plan?
- ❖ Is periodic training (briefings on changes, updates and new strategies, for example) provided on key plan provisions?
- ❖ Does the plan include the aggregation and maintenance of records for insurance claims (special documents or approval processing needed to support a claim)?
- ❖ Are critical vendors included in the plan, and do they participate in testing (including exercising vendor continuity plans)?
- ❖ Does the plan include returning production/service delivery from a disaster recovery status back to a normal status?
- ❖ Are strategies prioritized on the basis of criticality rather than organizational political influence?

### Critical Success Factors

Timeliness and quality provide only a general impression of how well the client would function in an emergency situation. It is the practical aspects of the plan that will, when the time comes, differentiate businesses that can successfully navigate through a disaster from those that cannot.

- ❖ **Get the right people involved.** Exposure doesn't arise from not assigning "qualified" contingency planners to the project; it comes from not involving those who know the unique aspects of the business and the type of service or product that must be delivered "no matter what."
- ❖ **Expand participation to include specialty skills,** including public relations (to help manage media and client expectations); human resources (to

help manage the impact both from the disaster event itself as well as from ongoing "compromises" that employees may have to endure); and insurance/risk management (to maximize recovery form claim opportunities).

- ❖ **Include continuity planning as a key component of the service/product delivery process.** This includes incorporating continuity risk into the business's change management process both on an immediate (daily operational backup) and longer-term basis (designing/modifying continuity strategies as part of new product development).
- ❖ **Recognize that disaster can affect more than the business's internal operations.** A community-based disaster can significantly impact the availability of employees to participate in contingency plans and significantly reduce customer demand (and thus available cash flow) for the business's service or product.
- ❖ **Understand the true cost benefits of continuity planning alternatives** and have the courage to select the strategy that provides the greatest enterprise value. Unfortunately, there are no set rules, and cost-benefit and related strategies will vary significantly based on the individual business' service/product and organizational politics.

### A Five-Step Plan for CPAs to Follow

The biggest challenge faced by organizations in planning for business continuity is the ability to communicate and maintain the plan on a current and relevant basis. Although companies emphasize policies and procedures to enforce this, at the end of the day, company culture plays a critical role in ensuring that everyone will be prepared. Many clients find this very challenging. Elements of the following can enable CPAs to help their clients effectively derive the benefits of planning.

- 1 Stress that continuity planning is people first — safety, family, and, in some cases, the ability of the business to provide for employees and the community.
- 2 Internally market the need to maintain and periodically review the plan. Depending on the business, the client's campaign can include such awareness items as mugs, calendars or desk items.
- 3 Send internal email reminders on a periodic basis about the need to review the plan and share war stories about how plans helped other similar businesses.
- 4 Print wallet-size cards with key instructions for the users. Use positive reinforcement like nominal cash spotter prizes or mention in internal memos that the selected employees had access to their contingency information.
- 5 Provide peer pressure among the departments to update and maintain their plans by publicizing departments that have successfully reviewed their plan or creating some type of reward promotion for them, like an evening of bowling.

At the end of the day, the best way for the CPA to ensure the effectiveness of the client's continuity plan is to have the client recognize its importance and be personally motivated to maintain it.

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### Disaster Planning eResources

There are many resources on the Internet for review; this is a partial list.

- [www.contingencyplanning.com](http://www.contingencyplanning.com)
- [www.disasterrecovery.com](http://www.disasterrecovery.com)
- [www.fema.gov](http://www.fema.gov)
- [www.cpa2biz.com](http://www.cpa2biz.com)
- [www.drplanning.org](http://www.drplanning.org)
- [www.disasterplan.com](http://www.disasterplan.com)
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