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September 21, 2017

Dr. Willie Hagan, President
California State University, Dominguez Hills
1000 East Victoria Street
Carson, CA 90747

Dear Dr. Hagan:

Subject: Audit Report 17-41, Business Continuity, California State University, Dominguez Hills

We have completed an audit of *Business Continuity* as part of our 2017 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to the Office of Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Larry Mandel
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor

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BUSINESS CONTINUITY

**California State University,
Dominguez Hills**

Audit Report 17-41
August 8, 2017

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of administrative and operational controls for business continuity and to ensure compliance with relevant governmental regulations; Trustee policy; Office of the Chancellor directives; campus procedures; and where appropriate, federal and state guidance and industry-accepted standards.

CONCLUSION

We found the control environment for the areas reviewed to be in need of major improvement.

Based upon the results of the work performed within the scope of the audit, the operational and administrative controls for the business continuity (BC) program as of June 30, 2017, were unlikely to provide reasonable assurance that risks were being managed and objectives were met.

Overall, we found that the campus did not have an effective BC program. Roles and responsibilities and clear lines of authority for the BC program had not been defined in writing or clearly identified, and there was no coordination among campus business units regarding BC activities. Also, the campus had not developed written policies and procedures addressing key aspects of the BC program. Further, campus business units essential to BC activities had not conducted business impact analyses and risk assessments and did not have business continuity plans (BCP) that included all elements required by Executive Order (EO) 1014, *California State University Business Continuity Program*.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. GOVERNANCE

OBSERVATION

Roles and responsibilities and clear lines of authority for the BC program had not been defined in writing or clearly identified, and there was no coordination among campus business units regarding BC activities.

We found that:

- The campus had formally designated a BC coordinator who reported to the associate vice president of administration and finance, but the position's roles and responsibilities had not been defined in writing.
- The emergency management and disaster preparedness coordinator, who reports to the chief of police, had a job description that included BC responsibilities, but these responsibilities were not clearly identified.
- Business units were not coordinating with the division of information technology regarding recovery expectations in the event of a disaster.

Clear identification and documentation of roles and responsibilities and coordination between business units regarding BC activities help to ensure that duties and functions are performed and provide a standard reference for business units on campus.

RECOMMENDATION

We recommend that the campus:

- a. Define and document roles and responsibilities for the BC coordinator and clearly identify responsibilities for the emergency management and disaster preparedness coordinator.
- b. Implement a process to facilitate coordination among campus business units and the division of information technology regarding BC activities.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Define and document roles and responsibilities for the BC coordinator and clearly identify responsibilities for the emergency management and disaster preparedness coordinator.
- b. Implement a process to facilitate coordination among campus business units and the division of information technology regarding BC activities.

Completion date: October 2017

2. BUSINESS CONTINUITY PROGRAM

OBSERVATION

The campus did not have an effective BC program, as required by EO 1014, *California State University Business Continuity Program*.

Specifically, we found that the campus had not developed written policies and procedures addressing key aspects of the BC program.

Additionally, the campus did not have written methods or criteria to identify which business units were essential to BC activities. However, the campus had identified 12 key business units with regard to BC. We reviewed six of them, and we found that none had:

- A documented business impact analysis and risk assessment.
- A BCP that included all required plan elements, such as a listing and prioritization of essential functions; lines of succession or delegation of authority for key positions; alternate operating facilities; methods of communication with internal personnel, other agencies, and emergency personnel; and testing, training, and exercise plans, as required by EO 1014.
- Reconstitution and resumption strategies.

Developing, implementing, and maintaining an effective BC program helps to ensure that essential campus functions would be able to effectively and quickly recover from a catastrophe or disaster.

RECOMMENDATION

We recommend that the campus:

- a. Develop written policies and procedures addressing key aspects of the BC program.
- b. Document methods or criteria used to identify key business units essential to BC activities.
- c. Conduct a business impact analysis and risk assessment for each key business unit.
- d. Develop a BCP that contains all required plan elements identified above for each key business unit.
- e. Develop reconstitution and resumption strategies for each key business unit.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Develop written policies and procedures addressing key aspects of the BC program.

- b. Document methods or criteria used to identify key business units essential to BC activities.
- c. Conduct a business impact analysis and risk assessment for each key business unit.
- d. Develop a BCP that contains all required plan elements identified above for each key business unit.
- e. Develop reconstitution and resumption strategies for each key business unit.

Completion date: February 2018

GENERAL INFORMATION

BACKGROUND

BC is the capability of an organization to continue to deliver products and services at acceptable predefined levels following a disruptive event. BC is closely related to emergency management, 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 management 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 BCP is a comprehensive plan for coordination of activities and maintenance of business functions. It includes an effort within business units to ensure continued performance of essential functions during a wide range of potential emergencies and comprises comprehensive procedures and provisions for alternative facilities, personnel, resources, interoperable communications, and preservation of vital records and databases. Key resources for guidance in creating such a plan include the Federal Emergency Management Agency Continuity Guidance Circulars 1 and 2 (CGC-1 and CGC-2), *Continuity Guidance for Non-Federal Governments*, which provide broad principles that are applicable to agencies and businesses nationwide. In addition, State of California EO S-04-06 required all state agencies to develop and update their Continuity of Operations/ Continuity of Government Plans (COOP/COG) by September 30, 2006. The COOP/COG is released by the California Office of Emergency Services (Cal OES) and provides guidance on applying the principles put forth in CGC-1 and CGC-2 within the State of California. Cal OES is responsible for the coordination of overall state agency response to disasters and provides resources in planning for, preparing for, responding to, and recovering from an emergency or disaster to state agencies.

In October 2007, the California State University (CSU) finalized and implemented EO 1014, *California State University Business Continuity Program*. It provides a framework for CSU campuses to develop and maintain a continuity program that ensures continuation of prioritized essential functions and services regardless of any disruption to the campus. It also defines the key components of an effective campus BC program, including significant roles at the campuses, and outlines specific procedures for the business impact analysis, risk assessment, and development of BCP. In addition, it defines BCP testing and exercising, BCP maintenance, required communications, training, and record retention. It models the Cal 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 BCPs for essential business units.

As required by the EO, BC planning on each campus is led by either a BCP committee or a primary and secondary person with responsibilities for BCP activities. At the systemwide level, the Office of Risk Management has administrative oversight and programmatic responsibility for the BC function and coordinates the Business Continuity Affinity Workgroup, an advisory body for CSU systemwide BC.

At California State University, Dominguez Hills (CSUDH), the BC coordinator and the emergency management and disaster preparedness coordinator are responsible for overseeing the BC program and assisting business units in developing, maintaining, and testing

their BCPs. The risk management and environmental health and occupational safety manager, who reports to the associate vice president of administration and finance, is the campus BC coordinator. The emergency management and disaster preparedness coordinator reports directly to the chief of police, who then reports to the vice president of administration and finance. The campus has identified 12 business units essential to BC and uses Quali Ready to provide an electronic process for business units to create, store, and maintain their BCPs.

SCOPE

We visited the CSUDH campus from June 12, 2017, through June 30, 2017. Our audit and evaluation included the audit tests we considered necessary in determining whether administrative and operational controls are in place and operative. The audit focused on procedures in effect from January 1, 2016, through June 30, 2017.

Specifically, we reviewed and tested:

- BC administration and organization, including clear lines of organizational authority and responsibility, and current and comprehensive policies and procedures.
- Coordination and integration with the campus emergency plan, safety and health plans, or other related plans.
- Identification of business units that have functions that are essential to operations continuity.
- Existence of business impact analysis and risk assessments for each key business unit.
- Development, review, and testing of BCP, including monitoring and maintenance.
- Ongoing communication of BC activities, including adequate oversight, monitoring, and feedback to management.
- A formalized BC training program for individuals responsible for the BC program.
- Strategies for business reconstitution and resumption.
- The administration of the Information technology disaster recovery program and coordination with other business units.

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.

Our testing and methodology, which was designed to provide a review of key administrative and operational controls, included interviews, walkthroughs, and detailed testing on certain aspects of the campus BC program. Our review was limited to gaining reasonable assurance that essential elements of the campus BC program were in place and did not examine all aspects of the program.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; CSU Board of Trustee policies; Office of the Chancellor policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- EO 1014, *California State University Business Continuity Program*
- EO S-04-06
- Federal Emergency Management Agency, CGC 1 and CGC 2, *Continuity Guidance for Non-Federal Governments*
- Cal OES, *State Continuity Program Guidance*
- Government Code §13402 and §13403

AUDIT TEAM

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