



The International Security Managers Association (ISMA)

ISMA Stakeholders Meeting on the Voluntary Private Sector Preparedness Accreditation and Certification Program

Hosted by:
International Center for Enterprise Preparedness (InterCEP)
New York University

April 22, 2008

FINAL SUMMARY PROCEEDINGS

(5/21/08)

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EXECUTIVE SUMMARY

On April 22, 2008, ISMA members gathered at New York University to discuss the voluntary private sector preparedness accreditation and certification program currently under development pursuant to U.S. federal legislation. They were joined by representatives of the U.S. Department of Homeland Security with key responsibilities related to the new program. Discussion themes included:

- **Participants identified a number of key components of the voluntary certification program.**
- **Industry players should participate in defining what should be addressed and credited by the certification process.**
- **Companies will need assurances regarding the integrity of the certification process and the competence of the certified auditors.**
- **Participants cited the importance of structuring the program so that small and medium-sized enterprises (SME's) can participate without excessive costs or other burdens.**
- **There may be a need to consider concrete incentives to encourage businesses to seek certification.**
- **There are concerns about the potential costs and liabilities associated with the program.**
- **ISMA members identified a series of other organizations/initiatives that should be participating/integrated in discussions regarding the certification program, including:**
 - SEC
 - NASD/NYSE
 - FFIEC
 - NERC
 - FISAP
 - OSHA
 - HIPAA

ABOUT THE INTERNATIONAL CENTER FOR ENTERPRISE PREPAREDNESS (InterCEP)

- InterCEP is the world's first academic research center dedicated to private sector preparedness & resilience.
- The Alfred P. Sloan Foundation funds InterCEP's research on incentives for business preparedness in the following areas:
 - Insurance, rating agency, mitigating legal liability, supply chain, corporate governance.
- InterCEP's research focuses on linking the "what" and the "why" of preparedness and resilience:
 - "What" should be done in terms of preparedness is often most effectively reflected in preparedness standards and best practices.
 - "Why" preparedness efforts should be undertaken by business generally includes both internal economic impacts of preparedness as well as external incentives.
 - Linkage of the "what" and "why" of preparedness often requires measurement or assessment to determine if the "what" to do of preparedness has been accomplished so that the "why" to do it can be achieved or rewarded.

MEETING AGENDA

12:00 – 12:20	Welcome & Introduction of Attendees
12:20 – 1:10	Introduction <ul style="list-style-type: none">▪ Overview of New Law: "The Implementing Recommendations of the 9/11 Commission Act of 2007" (Public Law 110-53 – Title IX, Section 524)▪ Update & Insights from DHS Private Sector Office, DHS FEMA, DHS Infrastructure Protection, and DHS S&T and NIST – Standards
1:10 – 1:30	General Discussion: Initial Questions to Panelists & Identification of Key Issues / Concerns
1:45 – 2:45	Moving Forward, including: Potential Solutions to Address Issues, Identify Areas for Consensus & Steps Forward
2:45 – 3:00	Closing Remarks

GROUND RULES

- All participant comments are not-for-attribution.
- Notes taken by InterCEP staff for background research and summary proceedings.

OVERVIEW OF NEW LAW

"The Implementing Recommendations of the 9/11 Commission Act of 2007" (Public Law 110-53 – Title IX, Section 524) was signed into law on August 3, 2007. Section 524 calls for the creation of a voluntary business preparedness accreditation and certification program. The legislation stipulates that the program should:

- Provide a method to independently certify the emergency preparedness of private sector organizations, including disaster/emergency management and business continuity programs;

- Be administered outside of government by third party organizations with experience / expertise in managing and implementing voluntary accreditation and certification programs;
- Be voluntary;
- Designate one or more preparedness standards. NFPA 1600 is referenced as an example;
- Integrate/recognize where appropriate existing industry efforts, standards, practices and reporting in this area;
- Give special consideration to small businesses; and
- Protect proprietary and confidential information of companies.

U.S. DEPARTMENT OF HOMELAND SECURITY'S RESPONSIBILITIES

The legislation also assigns the following specific responsibilities to the U.S. Department of Homeland Security:

- Designate one or more organizations to act as the accrediting body to develop and oversee the certification process, and to accredit qualified third parties to carry out the certification program;
- Separately designate one or more standards for assessing private sector preparedness;
- Provide information and promote the business case for voluntary compliance with preparedness standards; and
- Monitor the effectiveness of program on an ongoing basis.

CURRENT STATUS

As of April 22, 2008, the current status of the certification program development process (to the best of InterCEP's knowledge) reflects the following:

- A 'Framework for Voluntary Preparedness' encompassing multiple preparedness standards and other guidance has been developed by key organizations (RIMS, DRII, ASIS, NFPA) with the support of the Alfred P. Sloan Foundation.¹ This document argues for flexibility within a framework in terms of certification activity potentially including the recognition of multiple preparedness standards/guidance by the program.
- DHS is preparing to report soon to Congress on a plan for program development.
- A potential accreditation body has been identified and notification published. That body is ANAB which has substantial experience in administering the private sector driven and voluntary certification efforts in quality management and environmental management.
- One or more preparedness standards are still to be designated by DHS.
- Outreach to the private sector for input is in process by DHS and includes a National Stakeholder Forum sponsored by the Sloan Foundation and hosted by InterCEP in December 2007.

POTENTIAL BENEFITS OF CERTIFICATION

Based on stakeholder inputs gathered by InterCEP in other forums, the potential benefits of certification for businesses include:

- First and foremost, effective preparedness may minimize the business impacts of potentially disruptive events.
- Certification may also help promote resilience of supply chains.

¹ Cf. "Framework for Voluntary Preparedness – Briefing Regarding Private Sector Approaches to H.R. 1 and Public Law 110-53 'Implementing Recommendations of the 9/11 Commission Act of 2007' Title IX" prepared by representatives of ASIS International, DRII, NFPA, and RIMS. Available at www.sloan.org

- The certification program may make it easier for various business incentive communities to acknowledge the value of effective preparedness (e.g., supply chain management, insurance, legal, rating agency, etc.).
- Certification to a commonly-recognized standard may help facilitate exchange of best practices.
- Certification may also enable more consistent benchmarking and financial analysis internally and externally.
- Certification may have reputational benefits for corporations.
- Certification may additionally help advance corporate governance goals.

DISCUSSION

InterCEP has identified general themes touched on during the ISMA discussion. In this summary, these themes are briefly articulated, and then specific issues relevant to each theme are presented.

- **There is concern within the private sector that the program could develop into a mandatory requirement.**
 - Some participants felt that this initiative was being pushed onto them by government.
 - Similar concerns exist about whether the program will be truly voluntary once market pressures force firms to pursue certification in order to remain competitive.
 - Some are concerned that failure to certify might be used by the insurance industry to raise rates.
 - Some are concerned that failure to certify might unduly expose companies from a civil liability perspective.
- **Simplicity should be the theme for business preparedness programs.**
 - The program should focus on high-level issues such as business survival and crisis management, and should be kept relatively simple to avoid excessive costs.
- **The program and chosen standards should be applicable on an international basis to have the most value to multinational corporations.**
 - The program may involve a number of standards, but whichever standards are chosen, they should be capable of being applied on an international basis in order to accommodate the needs of multinational firms.
- **The program should support both ongoing improvement as well as various levels of maturity in business preparedness**
 - The program should encourage companies to approach preparedness less as a matter of one-time certification, and more as a matter of ongoing 'continuous improvement'
 - A maturity model may have value because it would allow companies to measure progress over time towards progressive levels of competency.
 - Companies should be encouraged to adopt a cycle of revising their preparedness plans.
 - The frequency of re-certification remains to be determined, but it would make sense to occur every 2-3 years.
- **Various approaches to conformity should be supported (i.e, self-assessment, related party or third party)**
 - Companies should be able to choose to pursue various methods of conformity assessment based on their needs and available resources.
 - The program should support self-assessment and self-declaration of conformity with one or more designated standards.
 - Second party or related party assessment should be supported; for example, a customer should be able to utilize tools from the program to assess the resilience of key suppliers with their cooperation.
 - Third party certification by unrelated certifiers should also be an option.

- **Industry players should participate in defining what should be addressed and credited by the certification process.**
 - The program should “fortify” what major companies are already doing.
 - The program should give credit where credit is due by recognizing and integrating existing regulatory frameworks and sector-specific guidelines (e.g., FFIEC) without layering on additional, redundant requirements.
- **There appear to be potential supply chain applications for certification.**
 - The financial services industry may on the cutting edge of preparedness practice but this industry could potentially use certification as a tool to assess supply chain resilience for their critical suppliers outside of financial services.
- **Lessons learned from related programs should be incorporated into the development of this new certification program, especially with respect to minimizing business disruption.**
 - The program should be informed by lessons learned from C-TPAT and pandemic planning regarding the best way to minimize impacts on business and maximize benefits to business
 - C-TPAT has become a de facto standard for domestic & international transportation logistics
 - The program should also be flexible enough to allow for business decision-making about the acceptability of certain kinds of risk.
 - Corporations should be aware going into the certification process what elements of preparedness are addressed by the standards to avoid surprises at the end.
- **Companies will need assurances regarding the integrity of the certification process and the competence of the certified auditors.**
 - In general, it will be important for the certifiers to have credibility based on established qualifications and experience.
 - The Big 4 auditing firms may have to expand capacity to provide certification services.
 - Some auditing firms may not be able to be certified themselves on a third party basis given their complexity.
 - Consideration should be given to allowing large consulting firms to render services both as accredited certifiers and as consultants on business continuity and emergency planning provided they are not specifically certifying companies for which they have a preparedness consulting relationship. Absent this the large firms will not be incentivized to enter into the certifying end of the business.
- **Participants cited the importance of structuring the program so that small and medium-sized enterprises (SME’s) can participate without excessive costs or other burdens.**
 - SME’s generally do not have the resources that larger companies do to develop comprehensive preparedness programs, and forcing them to seek certification could lead to adverse economic impacts.
 - On the other hand, a universally-recognized certification process may help establish a common language and common procedures that would have the effect of minimizing costs currently associated with compliance to a variety of standards, guidelines and audit procedures including those that are individually determined by each customer.
 - It will be important for the certification program to be flexible and include different levels of program complexity that are appropriate to differently-sized businesses (e.g., as with the four-page household preparedness plan versus the sixteen-page small business plan currently distributed by www.ready.gov).
 - Some participants suggested that the entire program should be primarily focused on SME’s, with the goal of bringing that segment of American businesses to a higher level of competency.
 - It was also suggested that the U.S. federal government should consider providing assistance of some form to encourage SME’s to undertake certification.

- There is an outstanding need in any case to undertake concerted outreach to SME's to build awareness about the evolving program.
- **There may be a need to consider concrete incentives to encourage businesses to seek certification.**
 - Participants generally agreed that legislation providing safe harbor from litigation to any certified firm would provide a major incentive for certification
 - Participants also discussed the potential value of tax credits that would accrue to certified organizations.
 - Participants also noted the potential relevance of insurance incentives, whereby underwriters would consider certification during the underwriting process and confer policy benefits to certified organizations.
- **There are concerns about the potential costs and liabilities associated with the program.**
 - Participants said it would be important to contain the implementation costs and minimize the bureaucracy associated with the certification process.
 - Ultimately, the costs will end up being passed on to consumers.
 - Some companies are also afraid of the liabilities associated with the certification process, including the fear that incompetent auditors may either leak sensitive information or miss something that later comes back to haunt the firm.
- **ISMA members identified a series of other organizations/initiatives that should be participating/integrated in discussions regarding the certification program, including:**
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NEXT STEPS FOR ISMA

Next steps possibly to be undertaken by ISMA independently or potentially with the involvement and support of InterCEP or others include:

ISMA will continue through its government liaison functions to facilitate feedback from its members to DHS officials implementing the preparedness legislation.
 ISMA will also use its various forums and research materials to elevate awareness within its membership about this new legislation and the implementing regulations promulgated by DHS over time.

INTERCEP'S ACTIVITIES

This meeting with ISMA members is part of a general effort currently being undertaken by InterCEP to organize stakeholders focused on the voluntary business preparedness accreditation and certification program. The Center has also established five Working Groups, each focused on a particular area of business benefit that could potentially be enhanced by the certification program:

- Insurance working group
- Legal working group
- Rating agency working group
- Supply chain working group and
- Business reporting requirements working group

The goals of InterCEP's efforts are as follows:

- To identify existing practices and principles in specific topical areas relevant to private sector preparedness;
- In view of these practices and principles, to identify issues, opportunities and potential strategies relevant to the design and implementation of the voluntary business preparedness certification program; and,
- To gather these outputs generated by participants and communicate them to other program stakeholders including where appropriate DHS, accrediting and certifying bodies.

InterCEP is furthermore committed to supporting the voluntary certification program by undertaking the following specific activities:

- Produce high-level summary proceedings of such stakeholder meetings, to be drafted by InterCEP, then vetted with participants, and finally distributed for stakeholder consideration;
- Channel this input to inform the development & ongoing operations of the certification program;
- Develop greater awareness within the general business community of the voluntary business preparedness certification program;
- Produce research output that presents knowledge generated by event participants relevant to the design and implementation of the voluntary business preparedness accreditation and certification program;
- Develop an online clearinghouse of documentation relevant to the voluntary business preparedness accreditation and certification program.

InterCEP encourages readers of this document and other stakeholders to contact us on an ongoing basis with questions, comments and suggestions regarding the Center's agenda, as well as in reference to the broader process of developing and implementing the certification program. InterCEP's efforts to support this process are undertaken independently with the support of the Alfred P. Sloan Foundation.

International Center for Enterprise Preparedness, New York University (NYU)
113 University Place, 9th Floor, New York, NY 10003
+ 1- 212-998-2000 (t) + 1-212-995-4614 (f)