



Proceedings & Recommendations of the Working Group on Supply Chain Management & Resilience

Special Focus: the Voluntary Private Sector Preparedness Accreditation and Certification Program

Hosted by:
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ABOUT INTERCEP

- The International Center for Enterprise Preparedness (InterCEP) is the world's first academic research and development center dedicated to private sector preparedness & resilience. The Center is committed to playing a catalytic role in forwarding effective risk / reward management on both an enterprise and societal level.
- The Alfred P. Sloan Foundation funds InterCEP's research on incentives for business preparedness. The Center is currently addressing the following areas: insurance, rating agency, mitigating legal liability, supply chain management, corporate governance, and business reporting.
- InterCEP's research focus is on the linkage of the "what" & "why" of private sector preparedness and resilience.
 - What: as reflected in private sector best practices and standards
 - Why: business & economic motivations to develop greater preparedness and resilience

WORKING GROUP GROUND RULES

- Both online and face-to-face forums are facilitated.
- Participants are encouraged to contribute directly to the discussion but should be recognized by the facilitator.
- Back-and-forth discussion is welcomed, especially in clarifying diversity in perspective.
- The forums were recorded to assure that key insights are captured but all comments are not-for-attribution.

OVERVIEW OF THE NEW LAW ESTABLISHING A PRIVATE SECTOR PREPAREDNESS ACCREDITATION & CERTIFICATION PROGRAM

"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 existing industry efforts, standards, practices and reporting in this area;
- Give special consideration to small businesses; and
- Protect proprietary and confidential information of companies.

DEPARTMENT OF HOMELAND SECURITY'S RESPONSIBILITIES UNDER THE LAW & SUMMARY OF CURRENT STATUS

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

- DHS is to 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;
 - In July 2008, DHS designated ANAB as the accrediting body, the same organization that has been administering private sector certifications in such areas as quality management systems (ISO 9000) and environmental management systems (ISO 14000) for over twenty years.
- DHS is to separately designate one or more existing standards for assessing private sector preparedness;
 - Over the course of late 2007, 2008 and 2009, DHS outreached to the private sector seeking input into their planning for the new program.
 - On December 24, 2008, DHS released an announcement in the Federal Register which discussed the essential elements of the program, described the consultation that has taken place to date and will take place with the private sector, and further announced that it seeks additional recommendations in a number of areas, including the private sector preparedness standards that DHS should adopt, both initially and over time. The announcement included for comment tentative target criteria to be used in determining which standards to designate. These criteria closely paralleled those in the Alfred P. Sloan Foundation Report entitled "Framework for Voluntary Preparedness."
 - On January 13 and February 23, 2009, DHS held two stakeholder meetings in Washington DC open to the public to engage in dialogue with DHS leadership and program managers regarding the Voluntary Private Sector Preparedness Accreditation and Certification Program (PS-Prep). Announced topics included the adoption of private sector preparedness standards; comments regarding a maturity model process improvement approach; small business participation and concerns; comments regarding the business case; and comments regarding the accreditation process and certification process.
 - DHS has yet to designate the one or more standards.
- DHS is to provide information and promote the business case for voluntary compliance with preparedness standards;
 - DHS is currently undertaking research efforts in this regard and InterCEP seeks to assist based on its historical research on the business case for resilience.
- Monitor the effectiveness of program on an ongoing basis.
 - A committee has been established within DHS to coordinate activity on the PS-Prep Program consisting of representatives from FEMA, the DHS Private Sector Office, DHS Science & Technology Directorate and the DHS Office of Infrastructure Protection.

THE WORKING GROUPS' INITIATIVE

The objectives of InterCEP's initiative to organize Working Groups focused on the voluntary business preparedness accreditation and certification program 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 Working Group participants and communicate them to program stakeholders including, where appropriate, DHS and accrediting and certifying bodies.

Building on InterCEP's ongoing research on the business case for preparedness, there are currently five Working Groups, each focused on a particular area of business benefit that could potentially be enhanced by the certification program:

- Supply chain management and resilience
- Legal liability mitigation
- Rationalized business reporting of preparedness
- Insurance acknowledgement
- Rating agency acknowledgement

THE SUPPLY CHAIN PERSPECTIVE

With regard to the potential supply chain significance of the voluntary private sector preparedness certification program, discussion among participants in the meetings of the Supply Chain Working Group to date has been framed by the following key questions:

- How do firms in supply chain relationships already assess and audit each other's preparedness?
 - Current best practices, existing challenges and obstacles
- How should the voluntary private sector preparedness certification program be designed and implemented in order to build on current practices in supply chain resilience and the assessment thereof?
 - Existing efforts that should be acknowledged, integrated and credited

WORKING GROUP SUMMARY PROCEEDINGS TO DATE

Beginning in March 2008, a diverse group of private sector executives and public sector officials began collaborative discussion on supply chain management and resilience. On March 18, 2008 and November 18, 2008, the group collectively convened in online / conference call forums of the Supply Chain Working Group to discuss general supply chain issues and how they might be addressed by the Voluntary Private Sector Preparedness (PS-Prep) Certification Program. On March 30, 2009, members of the Supply Chain Working Group convened on a face-to-face basis at New York University's campus to continue earlier discussion threads and to provide additional insight on the PS-Prep program developments.

A summary of the high level points from these three Working Group meetings is as follows.

- A growing vulnerability of supply chains was acknowledged with contributing factors including the widening global footprint of operations, just-in-time inventory policies, and increasing off-shoring and outsourcing practices. Participants acknowledged that customers are concerned about the preparedness of suppliers, especially those who provide mission-critical resources and may be considered "critical suppliers." While there is a rising acknowledgement of the need for a programmatic approach to supply chain resilience, it was reported that the vast majority of suppliers have not yet developed robust resilience and business continuity programs, irrespective of their size. Some participants indicated that their only choice was to wait until there was a failure on the part of their suppliers, respond to the disruption and, if appropriate, take punitive action against the supplier.
- There were, however, several examples given of forward-leaning businesses who are implementing standards and best practices designed to ensure supply chain resilience. These current best practices included efforts to assess suppliers' business continuity and resilience activities; promotion of preparedness-related best practices through mentorship or training; and participation in industry or market-specific group initiatives. While supportive of these efforts, these leadership firms noted that such efforts can be time consuming, resource intensive, and limited in scope. For example, while surveys requesting the status of supplier resilience / preparedness may be used by some proactive firms, few firms actually verify the suppliers'

responses to these surveys. Lessons learned from these and other efforts can be used to inform and shape the development of the voluntary certification program.

- Working Group participants expressed interest in the potential application of the private sector preparedness certification program in assessing the resilience of organizations especially those providing mission critical goods and services in their supply chains. The potential benefits of the PS-Prep Certification Program noted by Working Group participants included using the certification as an assessment tool internationally; streamlining of redundant resiliency assessment efforts; and developing industry-oriented applications. Despite these potential benefits however, the extent to which individual companies realize benefits will depend a variety of factors based on business value, therefore making a clear business case will be critical.
- Working Group participants raised a number of issues regarding the design and implementation of the PS-Prep Certification Program. Three key issues raised included:
 1. structuring the architecture of the certification process to take into account other regulatory programs so as to minimize conflicts and to give credit for existing programs;
 2. understanding the scope of certification (i.e. what business operations/facilities/units are being certified as “prepared” if it is not the entirety of the business and how deep into the supply chain the assessment has been undertaken especially where multiple co-dependencies and outsourcing may define the supply chain); and
 3. having active DHS promotion and support of the certification program going forward.
- Lastly, Working Group participants were supportive in concept of a number of areas for further consideration. Major suggestions included:
 - continuing to clarify the supply chain-oriented business case for PS-Prep Certification;
 - focusing on knowledge management and education in the areas of building resilient organizations and understanding voluntary certification processes; and
 - developing a pilot or early adopter program to gain experience and identify lessons learned from the process of standard(s) conformity implementation and certification. Such an effort could be general in nature or target one or more critical infrastructure areas / industry vertical sectors. Furthermore, the pilot/early adopter could include a focus on targeted application to critical suppliers in the firm’s supply chain with a potential focus on customer/supplier mentorship.

KEY THEMES OF WORKING GROUP PROCEEDINGS

Beyond these high level points, InterCEP has also identified general themes addressed during each of the Working Group discussions. In the following summary, these themes are briefly articulated, and then specific issues relevant to each theme are presented.

A. EXISTING PRACTICES AND PRINCIPLES RELEVANT TO SUPPLY CHAIN RESILIENCE

- **The global reach of supply networks means that firms are exposed to a wider spectrum of possible disruptions at all levels of operation.**
 - Global organizations are affected by all kinds of human, natural and technological incidents on regular basis.
 - Internally, supply chains tie together logistics, transportation, order management, customer service, manufacturing, operations, finance, sales and marketing -- essentially everything to meet the needs of customers.
 - Externally, supply chains include suppliers of all kinds including product distributors, service vendors, manufacturers, contractors, and logistics firms that move materials.
 - An organization that has identified applicable risks and critical processes at every stage of this process and prepared appropriately will be in much better shape to respond to

disruption and recover rapidly, and with lessened effects on the supply chain, when an incident occurs.

- **While there is a rising acknowledgement of the need for a programmatic approach to supply chain resilience, the vast majority of suppliers have not yet developed robust resilience and business continuity programs, irrespective of their size.**
 - One participant suggested that there is a misconception that just because larger organizations have more people and more resources to devote to business continuity, they have developed more robust programs than small- or medium-sized businesses. Many businesses, large and small, have not yet developed business continuity, security, crisis, and other risk-oriented management processes.
 - It was suggested that the vast majority of companies are not where they need to be and some are reaching out for possible solutions.
 - The potential that the PS-Prep Program becomes mandatory is a concern. Said one participant, “even though it’s voluntary is it going to be made a requirement to do business in different pockets of the world?”
- **Key expectations that customers have of suppliers include risk assessment, critical process identification and advance planning.**
 - A leading manufacturer focused on three key questions: “Have your key partners and suppliers identified risks in their organization? Is there a method where they’ve identified their critical processes that have a real short recovery time that they have to meet? And then if an incident occurs, if that risk occurs and it affects that critical process, do they have a plan?”
- **Of special concern are suppliers which provide goods and services that are not readily available elsewhere and play an important role in the mission critical operations of a firm. These and other “critical suppliers” would likely be the initial and primary focus of any resilience assessment activity.**
 - One participant clarified, “We have boutique things that we have one or two people in the world we can get it from, or we have things that we have a plethora of people that we can procure them from.”
- **Some proactive firms require supply partners to adhere to certain preparedness requirements.**
 - Some firms have already established standard business continuity language for supply contracts, and such language is designed to cover the specific needs associated with particular supply relationships.
 - Some industry-leading firms are working proactively through their purchasing and legal teams to share their preparedness process with supply partners.
 - In a few cases, supply partners audit each other to verify that the business continuity capability stipulated in the contract actually exists and is sufficient.
 - Some firms have developed automated vendor management systems to push out business continuity questionnaires to clients, to gather relevant information, and to integrate it into their risk management and business systems.
 - IT systems are particularly amenable to preparedness audits, but it is more difficult to audit other operational systems including transportation and logistics.
 - Some supply partners are tied in to contracts that last several years and thus may not be immediately subject to the addition of new resilience requirements. It is important however to begin to have the conversation around business continuity, to share information with such suppliers and identify elements of the process that appear to be working.
 - One participant acknowledged that “I know that this is not always easy to do, especially with single source or sole suppliers, but we do have it built into our contracts with both outsourced vendors as well as suppliers; we have actually changed the language of the *force majeure* as well as a specific business continuity and disaster recovery clause

within the contract that they must meet a service level agreement (SLA). We do give some flexibility in that they can have a different SLA for at time of disaster. We also include the option to do exercises together.”

- **Some forward-leaning businesses are already implementing standards and best practices designed to ensure supply chain resilience.**
 - A number of preparedness standards exist, and they reflect a core of common elements and best practices around such issues as emergency and disaster management, business continuity and wider risk management.¹
 - Following guidelines such as these, firms can plan for supply chain disruptions so that they can better respond, restore and recover whenever an incident occurs.
 - When a preparedness process is based on commonly acknowledged standards, it can be more easily shared with critical customers and key suppliers.
 - Supply partners can be prioritized in terms of risk, based on their criticality to the business.
 - Firms can work with critical supply partners to gain a common understanding of the shared benefits of ensuring supply chain resilience.

- **Some firms promote preparedness-related best practices through mentorship, training, education and joint exercises with supply partners.**
 - In some cases, firms identify a current provider or a potential new provider that they want to do business with which does not have a very resilient or fully documented business continuity capability. Firms may work with that provider to improve its capability, and even stipulate contract terms and conditions that require by a certain date that the vendor agrees to undertake certain resilience/preparedness activities.
 - Another way to validate a supply partner’s business continuity capability is by testing the services actually contracted from them in a real crisis or a simulated one, but this requires considerable effort and can only be undertaken infrequently.
 - For example, following the hurricanes in 2004 and 2005, one company brought in a handful of suppliers that were found valuable or necessary during the critical incidents to engage in joint exercises focused on the development of better communication. This company learned that although it had been collecting great situational awareness and had a good idea of what was going on including what it would be doing during a critical incident, this information was not adequately communicated up and down the supply chain.
 - Another company working on pandemic planning engaged with its top 200 suppliers, brought them together, gave them education and training from government partners, and told them where they could go get more information. The goal was to bolster the capability of those suppliers to continue operations to the best of their ability if a pandemic were to occur.
 - Although there is considerable talk about public-private partnerships and how private sector companies need to partner better with the government, there is also a need for firms to partner with each other. To quote one participant: “You need to have a common focus with your suppliers on maintaining continuity of operations.”

- **Within supply networks, firms are both “customers” and “suppliers.” This can create an impetus for the assessment of resilience both up and down the supply chain.**
 - Some firms have a large diversity of customers of various sizes and expectations. One participant noted of their customers, “Some are small, some are large, some are the big

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

- mega ones, and how are they going to view this [assessment effort]? So we are a purchaser and we are a supplier...we're trying to figure out what do we attack first.”
- Another participant remarked, “we have actually more site visits [on resilience] from [customers] where we are the OEM (original equipment manufacturer). So we're looking at this from multiple perspectives ... we have customers that request status of our preparedness. We are requesting from our suppliers information relative to their business continuity plans ...We are ISO-certified in our manufacturing area. That should certainly help where we are a provider to other manufacturers.”
- **From a customer perspective, developing a customized supply chain resilience program from scratch can be time intensive and expensive.**
 - Defining core criteria and measurement methods can be challenging.
 - Surveys are a common approach for those organizations that do attempt to assess their supply chain resilience.
 - However, it can become prohibitively expensive to move beyond checking the boxes on a questionnaire and to begin to undertake audits of physical facilities and program capabilities, especially when a firm has hundreds or thousands of suppliers.
 - It may not be possible to determine whether stated compliance with contractual terms is actually being met until an incident occurs, and then it's often too late to prevent or mitigate the impact of disruptions, notwithstanding any punitive liability associated with breach of contract.
 - **Where assessment efforts are undertaken, suppliers are often challenged to deal with resilience inquiries from various customers that utilize a range of different content and formats.**
 - Vendor firms can be overwhelmed by customer requested requirements, especially when they have multiple clients and each client has a different set of continuity needs, which not only must be met but then communicated to, and perhaps in some cases validated with, the customer.
 - Sometimes firms will issue continuity requirements but receive push-back from suppliers, either for legal or compliance reasons, or because a supplier has a position of strength in the market that allows it to do so.
 - Nonetheless, participating suppliers expressed interest in the development of a unified approach to resilience assessment, especially in those industries such as financial services and defense where it is becoming more common. One participant commented, “Having been a receiver of these requests from financial institutions, we would greatly embrace—and I don't know the strong words I can use—that we have a consistent approach to this, because it would certainly make our life a whole lot easier if we had just one thing that we had to respond to from all of these different financial institutions.”
 - **Requiring the assessment of resilience on a standardized basis down the supply chain is one strategy currently being used to enhance business continuity and preparedness among some leading firms.**
 - Large companies in the high-tech industry segment have formed a supply chain risk leadership council. They have common suppliers and are approaching those suppliers as a group and asking the vendors to standardize their business continuity plans into a single format.
 - Standards that can be applied internationally were favored for addressing supply chain resilience across a spectrum ranging from hundreds to thousands of suppliers and sites in a global supply chain. It was noted that three commonly referenced standards (NFPA 1600, BS25999 and ASIS SPC.1-2009) can be and currently are applied on an international basis.
 - One participant noted that his firm had prepared a focused matrix of supply chain resiliency requirements drawn from multiple existing standards covering both high level

- management systems elements and some focused more on security. The purpose was to develop a key set of resiliency questions to quickly assess their entire supply base.
- For companies with hundreds or thousands of suppliers, looking internally to understand what to do with the information from all of the surveys is critical before the surveys are sent out. As one participant noted: “A lot of companies run these surveys with their suppliers, then they get the stack of information and they have no idea what to do with it. Before you even pull this information, first you have to look internally, understand what your critical processes are yourself.”
 - Focusing on suppliers with significant impacts related to a company’s resilience is a recommended focus of companies with multiple suppliers.
- **There are a number of ongoing initiatives within specific markets as well as industry verticals to promote supply chain resilience through third-party coordination and oversight.**
 - It was reported that the New York Stock Exchange (NYSE) and the National Association of Securities Brokers (NASD) have instituted requirements that financial services firms have a certain amount of transparency into the business continuity capabilities of their critical service providers.
 - The Security Industry and Financial Markets Association (SIFMA) has developed a 100-question BCP tool for members’ suppliers covering all of the major areas of BCP policy, planning, testing, etc., with yes/no answers and risk ratings. SIFMA is currently looking at other industry initiatives underway to assess the reciprocity of various questionnaires that suppliers are requested to answer for the financial services industry.
 - It was also reported that the National Markets Association (NMA) has a best practices committee for business continuity that has initiated a program to develop a business continuity questionnaire that associate members can send out to their critical vendors. This questionnaire in its current form contains over one hundred questions. The basic intention is to enable critical vendors to fill out this single questionnaire and submit it every time they get a request for service from a financial services firm, rather than submitting different information in response to different surveys from various firms. This puts the responsibility on individual financial services firms to review the data contained on the questionnaire, determine the quality of the data, and if necessary, to sit down with the provider firm and discuss areas of concern and/or potential improvement.
 - Another initiative reported was the Financial Institution Shared Assessment Program (FISAP), which reportedly goes beyond the business continuity capability, and digs deep into companies’ information security and physical security, access control, personnel background checks, etc. This program addresses 14 separate domains via a standard information gathering tool, a set of questionnaires. There is also an agreed upon procedure to be followed to implement this FISAP assessment. The intent is that the assessment be performed by an accredited public auditing capable company.
 - In the parallel arena of environmental management, historical experience suggests that a consortium model may similarly allow redundant, parallel audit processes to be rationalized. In this case, there were large multinationals that used landfills for their waste management activities and had the problem of how to check that the waste management facilities that they were sending their disposable materials to were in fact compliant with appropriate regulations and standards. A primary concern was to avoid involvement in any “Super Fund” or similar liability. What these companies did was they formed a consortium where a third party organization was created. That third party went out, did the actual onsite audits of each of those vendors and then shared the audit results across the consortium group. This allowed the on-the-ground auditing of the vendor facilities including whether or not they were keeping up with appropriate environmental health and safety laws, etc. The consortium members split the cost of the report, and therefore cut costs dramatically and did not burden the consortium companies with going out and doing the onsite audits themselves.
 - The Customs-Trade Partnership against Terrorism (C-TPAT) is a voluntary supply chain security program led by U.S. Customs and Border Protection (CBP) and focused on

improving the security of private companies' supply chains with respect to terrorism. This program provides another relevant parallel to be taken into consideration.

- Some firms also have technology providers who have their organizations evaluated by CPA's and they provide documentation from those evaluations.
- **Among some leading firms, supply chain resilience is becoming integrated into standard business practice at the senior management level.**
 - Regular, frequent operational reviews of a company's strategic supply chain or of single-points-of-service are pushed up the reporting chain-of-command to be included as standing agenda items in senior management reviews in some firms.
 - Supply chain resilience metrics and dashboards to track progress are tools used to measure resilience in some firms.
 - Moving away from a mindset of thinking about how to mitigate "bad things that could happen" to a mindset of thinking about ways in which business preparedness could lead to opportunity may guide productive management decisions.

B. VALUE AND THE BUSINESS CASE FOR PS-PREP CERTIFICATION IN THE AREA OF SUPPLY CHAIN RESILIENCE

Considering the various issues pertaining to the resilience of supply chains, the PS-Prep program could have a number of concrete benefits within supply chain management.

- **Standards-based** – *No need to develop individual corporate criteria for supply chain resilience.* Established industry standards for business continuity, disaster management and emergency management will be the criteria used in this program. These are existing standards which have evolved from proven practices in corporate resilience. Thus, there will be no need for individual companies to develop their own criteria for supplier preparedness from the ground up.
- **Can be customized to specific industry or corporate needs** – *Program criteria can form the foundation upon which a company or sector-specific program can be built.* The core standards defined by the program can serve as a foundation upon which additional requirements or amplifications can be added. This approach has been successfully utilized in the automotive supply chain where sector specific elements were added to the generic ISO 9001 (quality management system standard) approach.
- **Provides independent third-party verification of supplier resilience** – *Eliminates customer need to incur expense and effort to validate the assertions of suppliers.* The program will build upon well-established processes for independent assessment and auditing. The same approach used for certifying companies to international standards such as ISO 9001 and ISO 14001 (environmental management system standard) will be utilized. It is a "tried and true" process used by business and evolved for decades.
- **Potentially friendly to self-assessment or joint customer-supplier initiatives** – *Program-designated standards and elements of the assessment / audit process could potentially be used for first-party and, while not confirmed at this time, potentially second-party assessments if a third-party certification effort is not appropriate.* Not all supplier relationships may require the effort of third-party audits. This may be especially the case for small businesses that do not supply mission-critical products or services. Alternatively, self-assessments or assisted joint customer-supplier assessments could be used as an early step toward eventual independent third-party certification of a supplier. The standards designated by the program and key components of the audit process could serve as the criteria and process for these self-assessments and second-party (customer-supplier) assessments. At this time, DHS is still evaluating the possibility of first- and second-party assessments for use in the program.

- **Suppliers could benefit from a more streamlined process**— *Lower costs and effort through a common approach with a single certification.* Because there will be a common set of standards and a single certification audit, both customer and suppliers will likely benefit from participation in PS-Prep. In some cases, suppliers are currently responding to a variety of different requests from customers on their corporate preparedness programs. These questions may take many forms (surveys, telephone calls, etc.). Occasionally, site visit by some customers may occur. Responding to these can require significant time and effort. The PS-Prep program offers less disruption to suppliers since only a single audit will be required, yielding a certification that can then be communicated to all of a supplier’s customers.
- **Customers could benefit from streamlining as well.** While most do not have significant supply chain resilience assessment efforts, some customers may have developed their own surveys or questions on supplier resilience (or in some cases jointly with industry groups). But these customers generally lack the resources to comprehensively review and validate the responses from a diversity of suppliers. Customer visits and assessments of individual suppliers are generally too resource intensive for most. Customers would benefit from an independent third-party assessment of suppliers to industry standards at no cost to them.
- **A generally-accepted certification process could also minimize the potential for push-back from individual suppliers against confirmation of their preparedness** since one argument advanced is that these suppliers cannot respond effectively to a wide variety of divergent assessment requests.
- **International in scope** – *Usable across the entire global supply chain.* The program will be capable of certifying suppliers throughout the globe based upon an existing international network.
 - The ability to utilize the certification as an assessment tool internationally will be valuable to many firms. The ability to assess resilience across a geographically dispersed supply chain can currently be problematic.
 - Some firms are eager to determine how the certification process might be leveraged for international suppliers as well as domestic U.S. suppliers.
 - This was identified as a particular challenge by one firm: “Many of our suppliers are overseas...if we want to go for certification, how do we approach it when our downstream suppliers are not held to the same requirement?”
 - One participant offered: “We get a lot of requests from financial institutions as well as commercial customers to provide them with varying degrees of statements and detail our business continuity preparedness...I’ve got to look to a distributor, who may have to look to a manufacturer, who may have to look two or three levels down the road, and very quickly in a couple of key areas we hit international boundaries. And so I think as we develop this—and this is kind of a domestic initiative, but I think very quickly on, we need to try to find some way to make it easy to certify the international piece of things.”
 - Further discussion clarified that accrediting bodies such as ANAB are part of what are essentially international networks. It was suggested that ANAB will have the ability to offer or facilitate the certification process on an international basis. This certification is envisioned to be applicable across a global supply chain in the same way that under the quality management ISO 9001 framework, a firm can be certified in Germany or China as well as in the U.S.
 - It was subsequently confirmed with ANAB that some of the countries in which Certification Bodies have issued ANAB-accredited certificates under ANAB’s oversight currently include: Argentina, Australia, Austria, Barbados, Belgium, Bermuda, Brazil, Canada, Chile, China, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, France, Germany, Guatemala, Guyana, Honduras, Hong Kong, Indonesia, Ireland, Israel, Jamaica, Japan, Korea, Malaysia, Mexico, New Zealand, Panama, Peru, Philippines, Puerto Rico, Romania, Saint Lucia, Singapore, Slovakia, South Africa, Taiwan, Republic of China, Thailand, Trinidad and Tobago, The Netherlands, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Viet Nam.

- One potential advantage suggested for utilizing ANAB-accredited certifying bodies was that supply chain managers can be assured that each of the participating organizations is faced with the same level of robustness and credibility as any other organization in the supply chain since the ANAB process has regular validation.
- As referenced earlier, it is noted that any of the three commonly referenced standards in this arena (NFPA 1600, BS 25999 and ASIS SPC.1-2009) can be and currently are applied on an international basis.

C. CONSIDERATIONS FOR DESIGN AND IMPLEMENTATION OF PS-PREP CERTIFICATION PROGRAM

1. STANDARDS DESIGNATION

- **The existing standard or standards to be designated by DHS will provide a platform to launch the PS-Prep program, however it has been suggested that the DHS/government perspective may be that no single standard currently addresses the totality of disaster management, emergency management and business continuity as envisioned by some participants. Going forward, Standards Development Organizations may be encouraged to evolve existing or develop new standards to create a single comprehensive standard covering all three areas in their entirety.**
 - Of the relevant existing standards, some are founded on the management systems perspective and others are based more on guidelines or program criteria. One participant suggested that the ISO 28000 series looks at security issues, but does not address natural disasters, disease or technology issues. It was suggested that the standard is broad in its approach but narrow in terms of the risks addressed.
 - Some suggested that management systems-based standards may provide the broad, high-level framework for developing a certifiable program. The extent (its “breadth”) and level (its “granularity”) at which such a standard is applied will depend on how the company chooses to implement the standard based on their unique business situation and the certification process itself.
 - For those companies who are already certified to ISO 9001 and/or ISO 14001, the designation of a management systems-based standard may potentially allow for some “piggybacking.”
 - One participant noted that the designation of standard(s) for the PS Prep program is being carefully watched internationally and the U.S. companies should be careful in not appearing too “heavy-handed” in terms of “setting rules or regulations that we’re then expecting other countries to follow.”
 - Having a standard that can be applied internationally included as one of the designated standards was viewed as favorable from multinational corporations’ perspective as it allows them to do the “same thing around the world.”
- **There is a tension between allowing for flexibility in choosing among multiple standards and the simplicity of designating a single standard. A diversity of standards may complicate and potentially confuse some companies.**
 - Some participants suggested that having multiple resilience standards used in the supply chain management or other regards may make it difficult for companies to decide to which standard they should conform.

2. CERTIFICATION PROGRAM DESIGN

- **A framework is needed that will allow for identification, coordination and synchronization of existing regulatory and voluntary standards so as to minimize conflicts and give credit for existing programs, procedures and practices. This might include a cross-walk of standard elements versus existing practices and compliance requirements.**

- For those sectors who are already heavily regulated (e.g., some critical infrastructure sectors) and/or who have already committed to endorsement of other voluntary/industry-accepted standards (e.g. the chemical industry's Responsible Care® initiative), a supporting guideline document should be developed to identify where existing regulatory or programmatic elements meet the intent of the designated standard for which certification is sought.
- A framework reference document would facilitate the stated goal in the legislation to account for existing programs related to enhanced preparedness.
- **Due to the myriad of emergency preparedness, security, business continuity, and resiliency requirements already existing within regulatory programs, the architecture of the certification process will have to be structured to account for other elements of preparedness for which other agencies have regulatory jurisdiction.**
 - There is a need to rationalize and streamline redundant efforts to audit and verify business continuity capabilities. Some Working Group participants suggested that there may be too many criteria among various current requirements, and that there is a tremendous amount of overlap. From this perspective, one of the values of the certification program could potentially be that all of these different sets of guidelines, criteria and standards might be brought into alignment with each other.
 - In areas such as the financial services sector, there is a need for uniformity of evaluation processes utilized by regulators and auditors to assess supply chain and general resilience from year to year. It was reported that in some cases, examination processes are based on the approach regulators choose to take in any given year, and reflect what they perceive as the status of the markets and the risk that one firm might pose to those markets.
 - Numerous federal agencies such as DOT, EPA, and OSHA each have a slice or stake in emergency management, safety, preparedness and/or resiliency with regulatory authority over various entities.
 - How the PS-Prep program interfaces with other regulatory activities of an entity will need to be addressed as part of the certification process.
 - Where there are varying requirements between a mandatory regulatory program and those required under the designated PS-Prep standard(s), a process to “de-conflict” prior to embarking on certification was suggested so that companies are not undertaking additional redundant activities solely for the purpose of the PS-Prep program.
 - Dissemination of information on the PS-Prep program and coordination of activities between other agencies was noted as a future action item.
 - The numbers of existing standards to which some companies currently already adhere may make it difficult to address yet another standard unless business case incentives are readily apparent.
- **The certification program should be possible for firms of all sizes but there should be no expectation that all firms will be certified.**
 - Some participants questioned how readily the certification program would be accepted by small or medium-sized businesses, but acknowledged that if the large businesses that provide the critical infrastructure across the various industries were to seek certification, then as time goes by it would become a more commonly accepted part of operating a business, whether large or small.
 - Other participants cautioned against the perception that big businesses would simply bear the costs associated with certification. Both large and small companies will only pursue certification if they see value in it. It was offered that large companies have constrained resources as well and that they should not be held to a different standard but rather there should be a uniform standard for all companies – scalable to large, medium and small.
 - Larger companies may choose to assist / mentor their suppliers (especially critical ones) in areas of preparedness and to promote voluntary conformity with designated standards.

Separate approaches may be needed to help educate and assist small and medium-sized businesses to improve their business continuity capabilities.

- **Minimized cost and limited disruption in any supply chain resilience effort are also vital.**
 - In general, but especially in the current economic environment, corporate coffers are low and funding of any effort is challenging.
 - There are commonly competing initiatives in firms including environmental programs, being green, and other corporate responsibility efforts.

- **Industry-oriented applications of the assessment program may add value.**
 - Working Group participants suggested that the value of the certification process will also increase once further specifications of the guidelines are developed for particular industry sectors, as was the case with the ISO 9001 standard.
 - One example given was that of the financial services industry. This industry on the whole has well developed emergency management and business continuity programs, due to both economic awareness of the cost of disruption as well as regulatory requirements. Yet the resilience of these firms is often based on the resilience of their key suppliers, and thus there exists a need to assess and bolster the resilience of critical elements of the financial services supply chain.
 - Some programs (BITS, FISAP, etc.) referenced in greater detail elsewhere in these proceedings have begun to address this issue at least with questionnaires.
 - The PS-Prep program could add the element of independent third-party verification to programs that are solely based on unverified questionnaires.
 - A potential parallel in this regard is ISO 14001, the voluntary environmental management system standard. It became a market mandate in the automotive industry when major automotive manufacturers undertook ISO 14001 conformity themselves, and then in turn put it into supplier contracts. In this case senior management, both at the manufacturing company as well as the supply level, had to support the initiative for it to happen effectively.

- **Anti-fraud measures to assure that a firm sustains its resilience efforts post-audit should be considered.**
 - Per one participant, “Is there currently in the program any specific consideration of antifraud measures, particularly as relates to international suppliers? The concern is that they’re going to change their operation when they go through a certification and then go back to what they were doing before, which would not be [up to certified levels]. I think that we would expect that kind of behavior in certain parts of the world if there were a demand from a customer to be certified... Also how do we prevent a certification being given fraudulently? In many parts of the world, I can easily imagine that there would be payoffs.”
 - With regard to the entities that do the certifying, ensuing discussion indicated that generally these certifying bodies are audited on an ongoing basis, at least annually by the accrediting body.
 - With respect to the organizations that are ultimately certified (e.g., suppliers), these certifications will need to be renewed with some level of frequency with current discussions indicating potentially every three years.
 - Additionally in existing practice, one participant volunteered that “the registrar [certifier] serves as the record keeper and holds the documentation that these certifications have been given by those bodies out auditing. Thus, one would confirm that the registrar is a valid registrar, that the auditing/ certification body is indeed accredited and that their people are trained and certified as auditors with qualifications to go in and do this type of work. So there are checks and balances, and there’s an overall body like ANAB to keep track of all these bodies out there doing this type of work and checks up on them.”

3. IMPLEMENTATION ISSUES FOR PS-PREP CERTIFICATION

- **A clear business case will be critical.** The extent to which individual companies realize benefits from a voluntary business preparedness certification will depend on a variety of factors based on business value.
 - It will be important to obtain management buy-in and support for the certification process within each company.
 - Participants noted the importance of capturing and communicating all the economic motivations for certification, including those cited herein, as well as those that are the focus of the other InterCEP Working Groups (legal mitigation, insurance acknowledgement, rating agency acknowledgement, and business reporting). The cumulative impact of multiple considerations will be more compelling than any one rationale.
 - It was generally acknowledged, however, that the primary and overriding rationale for preparedness is not external but rather internal. Minimizing the negative impacts of uncertainties on the operations of an organization is the primary rationale. Preparedness, when well practiced, works to effectively prevent, mitigate, respond and recover from disruptions to the organization. Indeed, it is generally the internal rationale of maintaining an organization's critical operations and minimizing disruption to revenue that are most compelling by orders of magnitude. Supply chain is one facet. Business interruption insurance was discussed. It was acknowledged that such insurance is generally very limited in its coverage and only addresses a fraction of the total costs of any disruption (generally not addressing the costs related to impacts on reputation and future cash flows beyond a certain point for example). Further, interruption insurance on all of a company's internal business lines and external services can be prohibitively expensive, so some companies reported taking out such insurance on just their "survival suppliers" as a more pragmatic manner to handle the company's insurance portfolio. It was discussed that certification of suppliers could potentially be a factor for consideration by insurance companies in underwriting such insurance and could potentially impact policy price and terms.

- **Optimally, a step-based or phased approach should be considered in assessing supply chain resilience. A customer might set out component goals to be achieved overtime by critical suppliers.**
 - Per one participant, "You can't go from zero to 100 miles an hour immediately."
 - A process-based standard would be helpful.
 - Customers might set certain goals to be reached at different points by selected suppliers, so as to phase in any major requirements and the costs thereof.
 - A multi-level or maturity model approach should be evaluated.
 - It was also suggested that a multi-level approach or maturity model might be integrated into the certification program to provide companies with an incentive to get started and achieve initial progress, then continue to work on achieving subsequent levels of certification as the business case for each evolved.
 - A participant offered, "We are in supply chain transformation and we're still evolving. We do have a much higher reliance on our suppliers around the world than in the past. But as far as that maturity model, I wouldn't say we're certainly in the advanced stages. I wouldn't say we're in the starting phases either. I think we certainly are well along enough to look in the rear view mirror and look at where we've come from and what we have learned in terms of lessons from it. I do think that when it comes to the planning and development phases, simple is better."
 - A progressive approach might also include some level of mentoring, with an understanding that in tight economic markets while you also have critical suppliers, you are not going to have unrealistic expectations of immediate and complete achievement.
 - Another participant stated, "We actually use a maturity model and we have customized it for our suppliers and we actually grade them based on their responses to the

questionnaire, and it is a progressive thing and we do work with them. Obviously there's going to be some threshold, but the requirement for the large companies is going to be same as the let's say medium sized businesses. I think this is when you show that there is progress being made, and that there are activities that are taking place. I don't think any companies, even the very large ones, would admit that they are where they want to be. We all want to be better than what we are, but it also given the economic climate, I think this is a major consideration, and the idea of mentoring I think is a great idea."

- **Employee engagement, planning, documentation and testing are important but they must be balanced with simplicity.**
 - Participants underscored the importance of not making the assessment process too complex.
 - Per the representative of one large and geographically diverse firm, "We have learned over the last ..., two years or so that we've used different kinds of plans ... and different models ,Simple is much better is what we're finding going forward."
- **Businesses were interested in the potential to "test the waters" by limiting the scope of an initial certification effort to a single facility, business unit or other subdivision of their company. A "pilot" approach was seen as valuable.**
 - One participant remarked that "One of the things that I think is good about this [PS-Prep] program is that if you want to test the waters of voluntary certification, you can do it with just a piece of the organization. You don't have to do your whole company."
 - It was further suggested that a certification effort can focus on a facility, a specific business line or functional area. It is not an all-or-nothing approach.
 - It was added that organizations will most probably undertake an internal self assessment prior to even a limited certification effort.
 - Another participant added that by terming the initial effort a "pilot project," it would be less likely to set what might be perceived as a firm-wide standard which might have other implications including legal.
- **Multiple co-dependencies and outsourcing are common elements in many supply chains. This raises the issue of the "scope" of the certification and may complicate the audit processes necessary to verify conformance.**
 - Major scope issues include identifying which activities, products and/or services are to be included in the certification and therefore will likely be included within the scope of certification audit activities.
 - Once a particular scope has been determined, deciding how far down within those activities, products and/or services to evaluate preparedness becomes an issue. It was noted that outsourcing of a particular function does not mean outsourcing the responsibility for that function.
 - One participant noted that large organizations that are highly regulated, such as the financial industry, are expected to take an integrated and holistic approach for planning and testing preparedness. Scope of activities becomes an issue where there are multiple upstream and downstream dependencies, inside and outside their four walls. As an example of a concern regarding audit scope, one participant noted that if a Wall Street firm who relies on a wire house to accomplish their trading function included that trading function as part of their certification, auditors would need to also audit that wire house to evaluate their business continuity plan or other relevant documents. Issues of access and reliance granted by the vendor and potentially escalating audit costs were of concern.
- **Although the PS-Prep Certification program addresses organizational preparedness, integral upstream and downstream dependencies cross and blur the lines between public sector supply chains and private sector supply chains. Evaluation of other types of relationships, beyond the conventional organizational, company-to-company economic relationships may be necessary when evaluating preparedness.**

- There are inherent linkages between organizational preparedness, personal preparedness (such as of employees) and community preparedness. As one participant noted: "... The issue of being prepared in a business means you have to be prepared at the individual and at the community level. If the schools are closed, if the gas stations are closed, if the roads are closed, I don't care how well prepared your business is, you're out of business."
- Successful emergency management and resiliency depend on sound preparation in each of three domains of preparedness: personal preparedness on the individual level, solid business continuity planning/preparedness on the corporate level, as well as community preparedness (local, state and federal government preparedness as well as market infrastructure preparedness).
- **Raising awareness of the program will be critical; although initial awareness efforts might most appropriately be targeted to selective audiences that have the most immediate business needs for the program, such as the application to critical supply chain partners.**

4. *ISSUES SURROUNDING CERTIFICATION ASSESSMENT ACTIVITIES*

- **Building on existing internal and external auditing efforts would minimize cost and organizational disruption of certification.**
 - Many firms will attempt to realize value through the certification process by tying in or "piggy-backing" on existing audit processes, for example around quality, risk management, environmental management, etc.
- **Self assessment by a company could potentially include a sign-off by senior staff of the organization.**
 - A participant suggested a potential strategy whereby "an initial step might be at least a self-certification by a member of the senior management team and subsequent sign-offs that they have been following processes to keep the certification current."
- **The scope of the certification with regard to levels of suppliers needs to be clearly understood.**
 - A participant posed the question: "How can you certify a company when there are so many levels of suppliers involved. At what point do you stop? Three suppliers down or five suppliers down? How would you actually certify someone in that case?"
 - A participant with auditing experience clarified that "the scope of the certification down the supply line would be determined by the organization seeking certification; they determine the scope of how far down that supply chain you go. So say you have 40 layers or 40 suppliers in that line, when you conduct an audit, the auditor comes in and will ask 'what is the scope of this certification?' How far are you willing to say that this audit will go down that supply line? So it's all within the control of the entity seeking the certification. They set the scope of what they want to receive certification for. And I'm speaking from a voluntary certification perspective, so in seeking voluntary certification you decide where that fence line is, where that scope or that boundary is. You determine the box that you're seeking certification, and that's only what the auditor will look at."
 - Typically, the certification that is issued indicates what the scope of the audit was. This is very clearly defined. Should ANAB follow precedent set in ISO 14001 and ISO 9001, the scope will be set right up front as to what the audit included and this is stated in the certification documents.
- **The successful implementation of third-party certification depends on the qualification of the accredited certification bodies, specifically the makeup and qualification of the auditors or audit teams employed by the certification body.**
 - Successful certification audits require audit teams composed of auditors with
 - industry sector expertise,

- expertise in a specific discipline (e.g., business continuity), and
 - audit process expertise.
- It was suggested that certification bodies conducting audits should define in which SIC codes they are qualified. Financial sector companies would not want to see auditors with only manufacturing sector expertise, and vice-versa.
- Auditors are required to make difficult, independent determinations of conformity of an organization's program against the particular standard being audited. There is value in unbiased third-party auditors not influenced by the organization being audited.

5. ISSUES REGARDING ON-GOING SUPPORT OF PS-PREP CERTIFICATION PROGRAM

- **Firms could benefit from a resource of supply chain strategies, case studies, benchmarking and lessons learned.**
 - Per one participant, "One thing that might be good to maybe get us all thinking is if we could provide some examples of how this is currently being done. For example, I think it was last year, Wal-Mart brought the top 100 or 200 suppliers for a conversation about pandemic flu and how they need to work together against that threat... There are probably others out there as well."
 - Interest was expressed in developing guidelines for implementation of both self-assessment and wider supply chain assessment, benchmarking against other firms to obtain an inside perspective how other players are looking at this, and in evaluating pilot certification programs.
- **Active DHS promotion and support of the certification program will be vital.**
 - Participants cited the importance of DHS's involvement in the promotion of the certification program through channels such as state and local government; chambers of commerce and industry associations.
 - It was also suggested that DHS might consider providing training around the certification program especially for small businesses through state and local government.
- **Trade associations could play a potential role in facilitating the certification of their members.**
 - A participant suggested that some of the trade associations might be good clearinghouses for information and other resources to promote their members becoming certified.
 - Conceivably, trade associations could become certifying bodies themselves, if they meet the provisions ultimately set by ANAB for accredited certification bodies. These provisions would include requirements pertaining to independence, competence, impartiality of the audit and certification processes of certification bodies as specified in ISO 17021.
 - Trade associations could also choose to endorse particular certification bodies accredited by ANAB for specific vertical industry sectors.
- **Other organizations should be encouraged to engage and participate in the Supply Chain Working Group.**
 - In addition to the current involvement of such organizations as SOLE, the Risk and Insurance Management Society (RIMS) and the Association of Contingency Planners (ACP), participants signaled the importance of inviting representatives from the following organizations to join in the dialogue about the relevance of the certification program for supply chain resilience:
 - The General Services Administration (GSA)
 - The Council of Supply Chain Management Professionals (CSCMP)
 - MIT Center for Transportation & Logistics (CTL)
 - The Supply Chain Management Research Group at Ohio State University;
 - The Center for Supply Chain Research at Pennsylvania State University

- **Future success of the PS Prep program will be based on central elements of knowledge management, education and support.**
 - There is a body of knowledge around building a resilient organization and that around supply chain management, but little specific to building resilient supply chains. The Resilient Corporation, a book on resilience written by Yossi Sheffi, was noted as a one piece of existing available research.
 - For small and medium-sized businesses, a different set of programmatic resources (guidelines, documents, tools, etc.) to support small businesses executing the PS-Prep program will be required.
 - What types of programmatic resources are deployed by government in the near term will depend on the roles DHS (including FEMA) and SBA choose to play.
 - In the insurance industry, an example was given of risk control groups providing a basic level of consulting to their pool of insured companies, not on a charge basis but as part of the premium in order to compete in the insurance marketplace.

- **Education of the private sector on the basic processes associated with voluntary certification will assist in successful adoption of the program.**
 - Questions and issues raised during Working Group deliberations on the certification process included defining certification scope, integrating other existing legal and other requirements, and understanding audit processes and procedures such as audit sampling and reliance on vendor attestations. In addition, basic processes such as how to certify, what would be certified, and why the certification was valuable were raised as questions.
 - These and other issues could be addressed in an education effort.

- **It may be appropriate to initially focus certification on the supply chains of those industries with high regulatory and/or operational requirements for resilience.**
 - Certain industries are already heavily regulated with regard to preparedness/resilience. These include the financial services and defense contracting where they are asked in many different ways from many different stakeholders to show how they are prepared.
 - Building momentum in the marketplace in a few targeted vertical industries could work to develop a critical mass of certified companies which in could motivate other firms to pursue certification.

INTERCEP'S ACTIVITIES

InterCEP is committed to supporting the Supply Chain Working Group by undertaking the following activities:

- Produce high-level summary proceedings of Working Group meetings, to be drafted by InterCEP, then vetted with participants, and finally distributed for wider stakeholder consideration;
- Develop greater awareness within the general business community of the voluntary business preparedness certification program;
- Produce research output that presents knowledge generated by the Working Group 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.

SETTING THE WORKING GROUP AGENDA MOVING FORWARD

Next steps possibly to be undertaken by InterCEP with the support and involvement of members of the Supply Chain Working Group include:

- **Gather specific supply chain and logistics considerations from key stakeholders (e.g., professional associations, industry-leading firms, academic centers of expertise) that should be incorporated into the initial design and development phases of the new voluntary certification program.**
- **Specify, to the extent feasible, activities that firms can undertake to implement the voluntary certification program in a supply chain including, if applicable, mentorship, training, education and joint exercises with supply partners.**
- **Evaluate the development of an “early adopters program” which would facilitate the implementation of the PS-Prep Program by leading companies both internally as well as potentially among critical suppliers in their supply chains.**
 - Could include an option for a “pilot program” approach facilitating the application of the certification program to an initially limited scope of company operations.
 - Could include the development of a “mentor / protégé” program which includes support, tools and resources for both the “customer” and “supplier” role. Forums for the sharing of experiences, lessons learned and best practices could be an element.
 - Companies in the critical infrastructure sectors may be a special focus.
- **Identify and evaluate for lessons learned any existing supply chain resilience initiatives (e.g. BITS, C-TPAT).**
- **Continue to clarify the supply chain-oriented business case rationale for preparedness certification.**
- **Continue to build the body of knowledge around supply chain resiliency.** Potentially including the development of a white paper focusing on supply chain management /resilience to complement the framework of standards in the “Sloan Report.”
- **Identify, develop and/or promote additional resources or extension of existing resources and frameworks to support supply chain risk management.** Potentially including the promoting the development of dedicated tools and resources for use by supply chain members both up and down the supply chain including small businesses.
- **Evaluate the integration of elements from other current industry, standardization and/or regulatory efforts** including:
 - The integration/cross-walking of the Specification for Security Management Systems for the Supply Chain (ISO 28000) as well as work done by other industries such as health and human services (e.g., the Joint Commission) to the certification initiative was seen as a valuable next step by numerous participants.
 - Consider integration of elements of the REACH framework for the chemical industry in Europe. REACH is a new European Community Regulation on chemicals and their safe use ([EC 1907/2006](#)). It deals with the Registration, Evaluation, Authorisation and Restriction of **C**hemical Substances.
- **Promote consideration of not only operational aspects of preparedness but also community and individual aspects of preparedness.** This may involve recommendations to standards developing organizations as well for the future evolution of existing standards.

- **Solicit more input from a wider audience by informing, and raising awareness in a broader segment of the business community.**
 - Awareness of this program should include perspectives on the strategic senior levels of the organization, operational elements in the middle and tactical elements at the “shop floor” level.
 - Outreach should also be made to boards of directors.
- **Continue to convene and host the Supply Chain Working Group as appropriate.**

With respect to each of these possible next steps, InterCEP seeks feedback and indications of interest from Working Group participants and readers of this document in response to the following questions:

- Do you think these next steps would have value?
- Do you have any information relevant to these next steps?
- Would you like to get involved and help develop these next steps?

In general, InterCEP is committed to assisting in shaping and supporting an agenda for the Working Group, including additional next steps and other action items, based on the feedback gathered from participants in response to these additional questions:

- Who else should be at this table?
- In what forums should this discussion be taking place?
- Who/what are the most relevant individuals, job titles, organizations, associations, etc.?
- What concrete next steps can be taken to acknowledge, integrate, and credit existing efforts?
- Additional next steps – what are we missing?
- What meeting formats are most appropriate to maximize participation and productivity?
- How regularly should Working Group meetings be scheduled?

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

CURRENT STATUS & TIMELINE OF ACTIVITY

As of December 1, 2009, key activities in the development of the Private Sector Preparedness (PS-Prep) Program development process include the following. Note this timeline is not all inclusive and focuses on government, accrediting body and InterCEP’s activities.

- **Legislation Enacted Calling for the Creation of Private Sector Preparedness Accreditation Program (August 3, 2007).** Public Law 110-53 signed into law.
- **DHS Begins Outreach Efforts (Fall 2007).**
- **13 Online Forums to Held to Discuss & Solicit Input on New Program, hosted by InterCEP (Fall 2007):** Several hundred organizations participated nationally in a series of thirteen online forums held both to provide a platform for exchange of information on the evolving program and to begin to solicit input from key stakeholders on how the program should be developed. Each of these forums addressed a different facet of the prospective program. InterCEP hosted these forums and subsequently summarized their findings and communicated them to key stakeholders including the U.S. Department of Homeland Security (DHS) which is responsible for initiating the program. <http://www.nyu.edu/intercep/events/20081010-415.html>

- Meeting of Key Private Sector Associations & Leading Companies Held to Discuss Program, Hosted by Sloan Foundation (October 23, 2007):** The Alfred P. Sloan Foundation, a leader in supporting preparedness initiatives and a primary funder of InterCEP, convened a forum of key stakeholders to discuss the evolving program and investigate cooperative approaches. InterCEP assisted the foundation in this effort. Consensus was reached at this forum that “flexibility within a framework” of existing preparedness guidance should be promoted and that there was substantial commonality of core elements among existing preparedness standards and guidance. The forum members included representatives from four major industry associations (ASIS, DRII, NFPA, and RIMS), who later collaborated to develop a framework to identify relationships between existing private sector preparedness approaches. A report outlining their findings was released entitled “Framework for Voluntary Preparedness.”
- Stakeholders Outreach Meeting Held at InterCEP with Support of Sloan Foundation (December 10-11, 2007):** More than fifty representatives from industry associations and private sector firms met with DHS and other government officials at this Sloan Foundation sponsored forum on the National Voluntary Private Sector Certification Program, facilitated by InterCEP at NYU. A summary of proceedings was developed which identified several key points of wide agreement around the design and operation of a certification program, the designation of an accreditation body, the selection of preparedness standards, and the business case for preparedness. A key next step identified in this regard was the development of working groups dedicated to specific incentive areas, such as insurance, supply chain, rating agencies, etc. that could assemble key stakeholders around each incentive area and act to promote the advancement of that incentive through the certification program.
- Multi-Disciplinary Report Released Finding Common Core Elements of Preparedness Practice across Disciplines (January 2008):** A ‘Framework for Voluntary Preparedness’ encompassing multiple preparedness standards and other guidance was developed by key organizations (RIMS, DRII, ASIS, NFPA) with the support of the Alfred P. Sloan Foundation.² The “Sloan Report” argues for flexibility within a framework in terms of preparedness standards and related certification activity. It underscores the commonality of core elements of practice across various disciplines of risk management including security, business continuity, enterprise risk management and emergency management. A copy of the full document is available at: http://www.nyu.edu/intercep/document-clearinghouse/alfred_p_sloan_foundation_fram.html
- Five Working Groups Established to Inform the Development & Implementation of New Certification Program with Focus on Bottom-Line Incentives/Economic Impacts, hosted by InterCEP (commencing March 2008):** The Center seeks to serve as a catalyst and collaborator with the goal to work with other organizations to promote both awareness of the new certification program and input into its development. To that end, the Center began hosting a series of working groups in order to expand and focus stakeholder involvement in the ongoing development of the program. These working groups built upon on the momentum established in various forums in the fall of 2007 but promote more focused discussion and input around targeted topics. The overall objectives guiding these groups have been initially set at (1) to identify existing practices and principles in specific topical areas relevant to private sector preparedness; (2) in light 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, (3) to gather these outputs generated by working group participants and communicate them to program stakeholders including where appropriate DHS, accrediting and certifying bodies.

² 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

InterCEP's research suggests that the success of the accreditation and certification program will depend largely on the extent to which the program addresses operational needs of organizations and the extent to which business value (including bottom-line incentives) can be forwarded through the certification program. Working groups were therefore organized around topics that correspond to key elements of potential business value. Additional information is available at: <http://www.nyu.edu/intercep/events/20080219-296.html> Initial online forums were held as follows:

March 7, 2008: Legal Working Group
March 14, 2008: Supply Chain Working Group
March 18, 2008: Insurance Working Group
March 27, 2008: Rating Agency Working Group
March 28, 2008: Business Reporting Working Group

- **InterCEP Testifies to Congress on the Private Sector Preparedness Certification Program and Insights from Working Group Activity (May 14, 2008):** InterCEP Director Bill Raisch testified before the U.S. House of Representative's Homeland Security Subcommittee on Transportation Security & Infrastructure Protection Subcommittee. The hearing focused on partnering with the private sector to secure critical infrastructure. Mr. Raisch delivered testimony on private sector resiliency, and in particular on the new voluntary certification program for business preparedness and findings from private sector input. Additional information and testimony available at: <http://www.nyu.edu/intercep/events/20080524-389.html>
- **Accrediting Body for New Certification Program Formally Announced by Homeland Security:** On July 30, the U.S. Department of Homeland Security announced that "it has signed an agreement with the non-governmental ANSI-ASQ National Accreditation Board (ANAB) to establish and oversee the development and implementation of the accreditation and certification requirements for the Voluntary Private Sector Preparedness Accreditation and Certification Program." Specifically, ANAB is to "develop and oversee the certification process, manage the accreditation, and accredit qualified third parties to carry out the certification in accordance with the accepted procedures of the program."
 - InterCEP anticipates that ANAB will set out the basic structure, processes and quality control for the accreditation program and will be responsible for "accrediting" the organizations that will undertake the actual certification efforts. These accredited organizations will in turn audit individual companies and if appropriate "certify" the companies that conform to the designated preparedness standard(s).
 - ANAB has for many years played a similar role as the accrediting body for the voluntary private sector certification programs addressing quality management (ISO 9001), environmental management (ISO 14001), information security management (ISO 27001) and numerous other industry requirements. As such, ANAB has had significant business interface and is expected to be sensitive to the concerns and needs of business. ANAB is headquartered in Milwaukee, Wis. and is a certified member of the International Accreditation Forum. ANAB is the only accreditation organization for process/management system certifiers based in the United States. The full release is available at: <http://www.fema.gov/news/newsrelease.fema?id=45280>
- **Initial InterCEP Working Group Proceedings Released and Provided to Accrediting Body & U.S. Homeland Security (July/August 2008):** Proceedings of Working Groups were released generally and provided directly to both the U.S. Department of Homeland Security (DHS) and the accrediting body for the new Voluntary Private Sector Preparedness Certification Program, ANAB. These proceedings are informing initial planning activity for the program. These proceeding reflect issues and recommendations identified in earlier forums held on the new program by the various Working Groups. These proceedings were distributed in draft form to registered Working Group participants for comment. InterCEP then prepared the proceeding for public release. The Working Groups are being hosted by InterCEP to facilitate input on the

design and implementation of the new certification program and to assure that the program reflects the concerns and needs of the private sector. Information on the Working Groups and the proceedings are posted on the InterCEP website at <http://www.nyu.edu/intercep/certification/>

- **U.S. Department of Homeland Security Lays Out Initial Direction for Voluntary Certification Program (July 30, 2008):** DHS set out its initial direction for the certification program in a media release. Selected excerpted points follow:
 - *Program Management Structure:* FEMA Administrator R. David Paulison has been named the designated officer responsible for the program on an overall basis. In this role, the administrator will chair the Private Sector Preparedness Council comprised of Department leadership from the Science & Technology Directorate, Office of Infrastructure Protection, and Private Sector Office; all of which will advise on the development of the program.
 - *Accreditation Body:* As previously discussed (above), DHS has established an accrediting body by designating the ANSI-ASQ National Accreditation Board (ANAB) to develop and oversee the certification process
 - *Preparedness Standards:* Per the legislation, DHS is to designate one or more standards for assessing private sector preparedness. The department has stated that “in developing and implementing the program, DHS will consider preparedness standards, business continuity standards, and best practices established under other provisions of Federal law, regulations, and as established by sector-specific agencies. DHS will coordinate with other preparedness and business continuity programs in other Federal agencies.”
 - *Request for Comment:* DHS announces an outreach to a diversity of private sector stakeholders including soliciting “public comment through a coming Federal Register Notice” with the stated goal by DHS of obtaining input on the following:
 - The scope of the Program;
 - The desired content of the voluntary “preparedness” standards to be designated;
 - Existing standards that should be evaluated and selected in this process;
 - Target criteria that should be the foundation for evaluation of comprehensive voluntary preparedness standards to be developed in the future; and
 - Views concerning standards and approaches for small businesses.
 - DHS further states that “after the receipt, review, and adjudication of public comments, DHS will select target criteria to evaluate preparedness standards for use in the Program. DHS will coordinate with standards development organizations (SDOs) in the update of their current preparedness standards and the development of new standards. DHS will work with private sector stakeholders and the critical infrastructure and key resources (CIKR) sectors to determine what sector-specific additions, guidance, or other expansion of the selected standards or target criteria are appropriate and desirable.”
 - *Business Case:* As per the legislation, the department additionally “will provide information and promote the business case for voluntary compliance with preparedness standards.”
 - *Program Monitoring:* An ongoing program monitoring function will be established for the program to “ensure its effectiveness, to include the operations and management of any of the accreditation and certification bodies and the standards designated. The annual review will also provide recommendations for improvements and adjustments to the program as necessary and appropriate.”
 - *Public Listing of Certified Companies:* Per the requirements of the legislation, DHS will also “maintain and make public a listing of any private sector entity certified as being in compliance with the program, if that private sector entity consents to such a listing.”
 - *Small Business Considerations:* The DHS announcement also cited the need that “small business concerns be taken into consideration, including any need for separate guidance, recommendations, or best practices, as necessary and appropriate.” The Department also indicated that it is considering “in coordination with the Ready Campaign (www.ready.gov) ... the option of developing a self-assessment preparedness tool [and that] compliance for small business may be in the form of a formal self-declaration of conformity.”

- For additional information, see the DHS release:
<http://www.fema.gov/news/newsrelease.fema?id=45287>
- **Follow-on Forums for the InterCEP Working Groups Held (October – November 2008)** In response to recent activity by DHS and the newly designated accrediting body, online forums for each Working Group were held. These conference call / web sessions allowed for wide access for the consideration of the recent announcements by DHS. Additional information is available at: <http://www.nyu.edu/intercep/events/20081010-415.html>
- **Federal Register Notice of Information & Request for Recommendations on Private Sector Preparedness Accreditation & Certification Program (December 29, 2008)** The notice both provided information on DHS activity as well as invited recommendations from the private sector on program development. The announcement included target criteria, i.e., “a draft list of possible elements that can be included in private sector preparedness standards and which may be used by the designated officer in evaluating standards for adoption in the program.” Additional information available at: http://www.nyu.edu/intercep/document-clearinghouse/federal_register_notice_reques.html
- **DHS Holds Two Public Meetings on Private Sector Preparedness Program (January 13 and February 23, 2009):** Two stakeholder meetings, open to the public, were held “to engage in dialogue with Department of Homeland Security (DHS) leadership and program managers regarding the Voluntary Private Sector Preparedness Accreditation and Certification Program (PS-Prep). The first was held on January 13, 2009 at U.S. Chamber of Commerce in Washington D.C. The second public meeting was held on February 23, 2009 at the headquarters of the American Red Cross in Washington, DC. InterCEP presented at both these events based on input from the Working Group activity on the program. Additional information available at: http://www.nyu.edu/intercep/document-clearinghouse/first_of_two_public_meetings_o.html
- **Announcement & Request for Interest to Participate in National Roundtables on Enabling Bottom-Line Impacts for Business Resilience through Certification, hosted by InterCEP (February 11, 2009)** InterCEP announced a series of National Roundtables on Enabling Bottom-Line Impacts for Business Resilience through Certification. These roundtables, supported by the Alfred P. Sloan Foundation, are to build on continuing InterCEP Working Group activities and focus on five main economic and potential incentive areas that could be advanced through the new Voluntary Private Sector Preparedness Certification Program, currently in development by the U.S. Department of Homeland Security. Additional information available at: <http://www.nyu.edu/intercep/events/20090211-424.html>
- **InterCEP Testifies Again to Congress on New Private Sector Preparedness Certification Program (March 11, 2009)** InterCEP Director Bill Raisch was requested to provide an update on the Private Sector Preparedness Program activity by the House Homeland Security Subcommittee on Transportation Security and Infrastructure Protection. The hearing focused on the recent Mumbai attacks and their role as a “wake-up call to the private sector.” Raisch provided ongoing insights from related Working Group activity as well as recommendations to forward the PS-Prep program. Additional information available at: <http://www.nyu.edu/intercep/events/20090319-427.html>
- **National Roundtables on Enabling Bottom-Line Impacts for Business Resilience through Certification, hosted by InterCEP (March-June, 2009)** InterCEP held a series of National Roundtables on Enabling Bottom-Line Impacts for Business Resilience through Certification. These roundtables, supported by the Alfred P. Sloan Foundation, focused on continuing InterCEP Working Group activities in five main economic and potential incentive areas that could be advanced through the new Voluntary Private Sector Preparedness Certification Program, currently in development by the U.S. Department of Homeland Security:
March 30, 2009: Supply Chain Working Group

April 15, 2009: Business Reporting Working Group

May 12, 2009: Rating Agency Working Group

June 2, 2009: Insurance Working Group

June 8, 2009: Legal Working Group

DHS representatives participated in all five National Roundtables held by NYU's InterCEP in the as well as a diversity of earlier online web forums. ANAB has also attended some of these forums and informed its development activities as a result.

- **Announcement and Request for Comment on Three Proposed Standards:** On October 15, 2009, DHS Secretary Napolitano announced a posting in the Federal Register, stating DHS's intention to designate three specific standards and soliciting any comments on the proposed standards, recommendations of additional standards or comments on other programmatic aspects of the PS-Prep Program. The three standards proposed were:
 - ASIS International SPC.1-2009 *Organizational Resilience: Security Preparedness, and Continuity Management System*.
 - British Standards Institution 25999 *Business Continuity Management: Part 1 (2006) and Part 2 (2007)*.
 - National Fire Protection Association 1600:2007 *Standard on Disaster / Emergency Management and Business Continuity Program*.
- **Announcement of Public Outreach Meetings and Extension of Comment Period:** On November 4, 2009, DHS announced a series of public meetings to discuss the PS-Prep program in ten cities across the country. The comment period on the Federal Register Notice was extended to January 15, 2010.

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