

Disaster Planning and Business Continuity for Nonprofit Organizations: Preparing for Disruption

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ABSTRACT

Planning and documentation for disaster recovery and continuity must be created by the nonprofit organization *before* the interruption occurs. In this white paper we will define the difference between business continuity and disaster recovery, and we will identify the various elements and policies of a contingency plan that can be adopted by nonprofit organizations to protect themselves in the event of a disaster.

Whether the event is short or prolonged, the nonprofit organization that is best prepared will be the organization that survives and thrives. A range of suggestions will be explored that are relevant, practical, and cost effective for the average nonprofit organization to implement in order to be able to respond to, and overcome, the challenges of a catastrophe.

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1. Define Disaster Recovery

All organizations, especially nonprofit and social service groups, should have a well thought-out and carefully documented disaster recovery plan that prepares the group and its employees to deal with an emergency. While it may seem difficult to prepare for the 'unexpected,' it can be done - and should be done - to ensure the organization's ability to survive.

Of all the definitions that are offered on this subject, the simplest way to explain *disaster recovery* is that it is "a process that takes place during and after a crisis, which is established to minimize interruption and help the organization recover by restoring some of its normal functioning as quickly and seamlessly as possible." There are some key words in this definition, among them are: *process, minimize interruption, and seamless recovery*. The concept of having a process for dealing with the situation is what will make the plan a success. Additionally, part of the process is to make sure that the plan itself is continuously reviewed, updated, and fine-tuned. A little thing like outdated cell phone numbers on an employee roster, for example, can create havoc when trying to communicate with staff during an emergency.

Dealing with, and then recovering from, a disaster means setting up a series of drills for quickly evacuating the office, or even the building; it means having an alternative work space during the crisis; it means maintaining duplicate files and technology resources as well as an IT back-up plan to keep all the organization's information safe; it means dealing with personnel throughout the disaster and the recovery; and it also means having the proper insurance to cover the organization's risks.

2. Define Business Continuity

Business continuity differs from disaster recovery because it is defined as, “the comprehensive process of planning for, and retooling, the organization’s best practices so that the nonprofit can function successfully after the crisis has passed, getting back quickly to where it was before the interruption.” The two processes are closely related, but the timing, as well as the goals, is different for each.

Smart, pre-emptive planning is one of the most important ways for the nonprofit to fulfill its mission, gain funding, and offer uninterrupted services to its clients during a crisis. Instead of disruption and disorganization, a nonprofit with a plan may be able to overcome the obstacles of a catastrophe and continue functioning as it works its way to full recovery.

3. Writing a Disaster Plan – Addressing Every Essential Element

With a goal of getting the nonprofit organization back up and running during and after an emergency, the recovery plan should address all situations, from a simple power outage to flooding, from networks crashing to bomb scares, from employee threats to terrorist attacks. But because most nonprofits are small organizations with less than ten full-time staff and minimum administrative budgets, they don't typically set aside the time or dollars needed to draft a formal disaster recovery plan. We hope to demonstrate some of the most crucial characteristics of a plan in this white paper, helping the local nonprofit to create a plan that is practical for them and one they can implement in a cost effective manner.

Most experts agree that there are four basic scenarios that must be considered:

- There is a temporary disruption of services, such as an electric outage
- The office is rendered unusable for a period of time
- The entire building is destroyed
- The entire area around the building is unusable (due to major flooding, storms, earthquake, terrorist bombings or the like)

Recognizing the four most likely potential disasters, the nonprofit disaster recovery and business continuity plan should begin, as most strategic plans do, with a situational analysis. This means the organization should assess their risk, imagine the 'worst case scenario,' and then arrive at some solutions that would address this scenario and others that could occur. Included in the situational analysis is a SWOT analysis, identifying the nonprofit's strengths, weaknesses, opportunities and threats during a crisis. Nonprofit leaders should ask themselves "What areas are most easily addressed, and what areas will require the most hard work and preparedness?" "What challenges can be prevented or at least minimized during a disaster?" "What is the potential for disaster – that is, do we work in a flood zone, are we frequently in the path of hurricanes, are we near power plants, or exposed to hazardous waste?" These are tough questions, but they must be asked before the real work can begin. Once answered, though, the organization can craft a plan based on its unique situation, culture, and resources.

Building a Recovery Team

To ensure the development of a smooth recovery process, it is best to select a team of individuals responsible for writing the plan, implementing the processes, and, to manage the chaos, they will assume major responsibilities during a crisis. The team may consist of the nonprofit Executive Director,

Board Chair, and administrative staff – or others within the organization. As the team develops the disaster plan based on the situational analysis, SWOT and needs analysis, they will include details covering personnel - including volunteers; IT processes; client services and programs; and donor interaction, and will integrate crisis communication procedures specifically for each of these categories.

An additional role for the team is to physically prepare the employees of the nonprofit organization for emergencies. To start with, does every employee know the best way to leave the building, and if trapped, how to react? Has a central meeting place away from the office been selected in the event that there is an emergency evacuation? To respond to these queries it is necessary for the nonprofit's disaster team to: (1) provide intense training and drilling on evacuation procedures and emergency routes and establish a common meeting place, (2) have first aid kits on hand along with working flashlights and fire extinguishers, and (3) ensure the technology is in place to keep communication open among the office staff and the police or other emergency responders, such as Blackberries, cell phones, lap tops and other tools that may function even during a major catastrophe.

All emergency procedures should be shared with the entire office so everyone in the nonprofit organization is prepared and ready to act.

Communicating with Personnel

The disaster recovery team should continuously review personnel files to be sure that all the contact information for every employee and board member is current and that emergency numbers for police, fire and other responders is posted and visible. The nonprofit should have a system of communicating with employees and all key lay leaders, such as board members, to keep everyone aware when there is a problem, like a weather related closing, or there is an unforeseen disaster, like a fire.

Although easy to overlook in its simplicity, a phone tree (with numbers of all staff, key volunteers, and board members) often works most effectively, as the recovery team makes the first calls and then each person in turn is responsible for reaching out to the names they have been assigned. E-mails may also be sent, but it is possible that during an emergency a phone call is still the most direct and dependable method of contact. Every employee should have a roster, or even an emergency card that fits in his or her wallet, with the phone tree and their assigned tasks printed on it. Like all of the processes that are defined in this white paper, the employee communications process should be tested periodically to ensure that it is working properly before there is a real event.

In addition, the personnel manual should be updated regularly to include emergency closing procedures, workplace safety, telecommuting policies, and the location of an alternate work space.

Emergency Alternate Work Space/Facility

Once everyone in the nonprofit organization is safely and speedily evacuated if that is necessary, they will need a place to continue working. The crisis may last a few hours or a few weeks, so it is critical that there is a designated alternate office as a part of the plan.

When selecting a spot, make sure it is far enough from the office as to not be impacted by the crisis, that it has communications capabilities (phone, fax, and Internet connections), enough space and office furniture for staff, and is safe and secure.

And in case you are wondering where that 'magical' alternate office space may be, consider asking other nonprofit organizations, your board members, contributors, or even volunteers in the nonprofit organization if they have adequate space that might be designated as a back up plan. Remember that the key is that employees know the drills, know how to exit the building, know how to reach each other, and know where to go to regroup later.

Protecting Data Files and Paper Documents

Without access to files, a nonprofit would be paralyzed, whether temporarily or permanently. This includes donor information, programming details, and other pertinent information that is used on a daily basis. This means that all desktop computer and server-based data MUST be backed up regularly, preferably at the end of every business day. This can be done using basic tape back up drives, network back up devices, or through online backup vendors. Using the Internet for data storage is a newer option and it allows nonprofits to retrieve their backup data and use it at a remote location. After deciding which backup plan is most realistic, the organization must continue to test for validity and recheck the process. It is dangerous and foolhardy to assume that there will be quick and easy access to any electronic data that has been stored but not tested periodically to ensure operations are functioning adequately. Files saved on the hard drive of a laptop, on CDs, or on flash drives, may be vulnerable. Storage conditions must be right, temperature controlled, and even then there is a reasonable life expectancy for tapes and other devices, so be reasonable in your reliance on the backup data plan and be careful throughout the backing up of all files so that priceless data is recoverable should the need arise.

Nonprofits can choose the more time consuming full back up or more likely you will opt for the selective back up process which means you will select certain files and directories to back up, a choice which takes less time and

space and enables greater control over what is protected. No matter what, computer back up files (tapes and CDs) should be stored in a safe place away from the nonprofit headquarters office. They can then be brought to the alternate site as needed for continuity of the organization's work during a disaster. As we warned earlier, the plan itself and the processes must be constantly reviewed, updated and tested.

For a more detailed discussion regarding specific IT needs, data storage and recovery concerns, and information about protecting computer hardware and software, please call our office and we will arrange for an in-depth consultation.

Today most people think of electronic files when they think of the data and records that are most significant to the nonprofit. Despite the "paperless" wish and the desire to be 'lean and green,' the reality is that most nonprofits still have an abundance of paper files. Contracts, insurance documents, donor information, correspondence, employee files, board manuals, and more may be residing in the office. In these circumstances, the nonprofit might consider scanning onto a CD or duplicating the documents that are most important and placing them in an offsite storage facility. At the very least, sensitive legal and human resource documents can be placed in a fire proof safe or cabinet in the office.

Managing Risk

To help keep the nonprofit safe, the disaster recovery team may want to identify credible risks that could cause interruption to the organization. This can be done by reviewing the physical office (especially the kitchen where there are numerous possibilities for disaster from fire or the storage of poisonous cleaners), building and office security measures, emergency lighting systems, access to stairs in case of fire, and placement of smoke detectors and fire extinguishers, along with availability of first aid and life support equipment. After assessing the level of risk, the nonprofit should review its insurance coverage to determine if it is adequate in the event of a catastrophe and the resulting business interruptions. For example, are volunteers and employees covered by a workers' compensation policy? Do you know the cost to repair or replace your equipment or your facility if destroyed? Do you know the cost you would incur at an alternate site if you had to establish a new temporary headquarters? Along with workers' compensation and property and liability insurance, three other types of insurance that might be explored are: Business Interruption, Extra Expense, and Terrorism.

To minimize the nonprofit organization's risk, assess the situation, put processes in place to avoid risk, and have the proper coverage that addresses the organization's potential for disaster. Please feel free to call

Sobel & Co. or talk to your insurance broker/carrier to plan appropriately for disaster and recovery.

4. Disaster Recovery Checklist

- Disaster planning team is established
- Risk for types of disaster is evaluated
- P&C Insurance is purchased and reviewed regularly
- Evacuation plan is in place
- Practice drills conducted periodically
- Central meeting place is established
- First Aid Kit, flashlights and batteries, and fire extinguisher are on premises
- Official emergency numbers (Fire, Police) are posted
- All employee phone numbers and emergency contacts are current
- Phone Tree is established and trial runs are conducted
- Electronic files and data are backed up, stored offsite, and checked often
- Copies of vital records and records are stored offsite or electronically
- Alternate work site is established with adequate communications, equipment, supplies, and furniture to accommodate employees
- Remote access for employees is established
- There is sensitivity to potential panic and fear among employees after the disaster has ended; psychological support will be made available as needed
- Disaster recovery plan is documented and distributed; updated annually

5. Conclusion

When disaster strikes, be it a fire, flood, hurricane, or an employee threat, fear and chaos are usually present. That is why the most important element in the response and recovery process is effective communication. Leaders of nonprofits, like those at any organization faced with a disaster, slip into a crisis mode, making it difficult to think clearly or execute without panic. Good communication suffers unless properly planned for in advance.

Thus, it is crucial to have a disaster recovery and business continuity communication plan prepared – and it is equally as important that the plan be discussed and updated regularly. Nonprofits that frequently go through ‘the drill’ know how to safely and calmly leave the building when disaster strikes; nonprofits that have identified a central meeting location know where to go immediately after leaving the building; nonprofits that have established communication procedures are able to remain in contact with each other and with family members and friends to alleviate concern. Nonprofits that have backed up their files, stored their critical paper documents off site and have an alternate work space, can be operational in just a few days. But nonprofits with no plan have little chance of coping effectively or of rebounding quickly.

6. Websites and Resources on Business Continuity and Disaster Recovery for Nonprofit Organizations

The purpose of this white paper is to educate the nonprofit sector on the importance of preparing a disaster recovery and business continuity plan. As such, we believe it is also our responsibility to provide a list of available resources to further the educational process. We do not endorse the information on these sites, but include them here for the value they add for our readers.

www.boardsource.com
www.contingencyplanning.com
www.drj.com
www.fema.org
www.infosyssec.com
www.nonprofitrisk.org
www.sba.gov
www.score.org
www.osha.gov/SLTC/smallbusiness/sec10.html
www.availabiloity.com
www.ibhs.org/business_protection

Further information is also available from:

The American Red Cross	www.redcross.org
Fund for the City of NY	www.fcny.gov
New York Cares	www.nycares.org
Nonprofit Risk Management Center	www.nonprofitrisk.org

7. About the Authors

Bridget Hartnett

Bridget Hartnett, CPA, a Senior Manager at Sobel & Co., has more than twelve years of experience in public accounting which she draws on to provide high level services for clients.

Bridget spends most of her time working closely with clients in social services and nonprofit areas, including educational institutions. As the Senior Manager directing the firm's Nonprofit and Social Services Group, Bridget supervises the audit engagements conducted by Sobel & Co. for the Cerebral Palsy Association of Middlesex County, the Youth Development Clinic of Newark and the Catholic Charities of the Trenton, Metuchen and Newark dioceses, Freedom House, and C.J. Foundation. In addition, she handles all of the firm's education audits and holds a Public School Auditor's license.

Bridget is also responsible for revising and overseeing the preparation of nonprofit tax returns.

Bridget carries her commitment to social services beyond the work place to include her personal involvement in several areas, such as at St. Benedict's school in Holmdel where she is always available for volunteering for projects and special events as needed as well as giving her resources and time to various children's charities, such as the New Jersey Chapter of Make-A-Wish and others. She is also a volunteer with professional business groups in the New Jersey community, including Monmouth Ocean County Nonprofit Committee and the Western Monmouth Chamber of Commerce where she helped to found the successful Young Professionals' Group and currently serves as Co-Chair and founder of their newly formed Nonprofit Committee. Bridget is also an active member of the New Jersey CPA Society's Nonprofit Interest Group.

As a licensed Certified Public Accountant in New Jersey, Bridget is a member of both the American Institute of Certified Public Accountants (AICPA) and the New Jersey Society of Certified Public Accountants (NJSCPA).

Bridget graduated with her Bachelor of Science degree from Montclair State University.

Ron Matan

Ron Matan, Member in Charge of Sobel & Co.'s Nonprofit and Social Services Group, brings a unique blend of public accounting and business acumen to every client engagement. A key member of Sobel & Co.'s Leadership Team since joining the firm in 1997, Ron works primarily with non-profit organizations, including United States Department of Housing and Urban Development ("HUD") projects, A-133 engagements, and low income housing tax credit programs ("LIHTC").

Professional Credentials

Ron is a Certified Public Accountant licensed to practice in New Jersey, New York and Pennsylvania. He is a member of the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants (NJSCPA). Ron has been elected as Vice-Chairman of the PKF North America's Nonprofit Committee, and in June 2004, Ron was appointed to the New Jersey Society of Certified Public Accountants Peer Review Executive Committee. Ron is also a member of the NJSCPA's Nonprofit Interest Group.

Ron, as Member in Charge of the firm's Nonprofit and Social Services Group (A-133 and HUD audits and LIHTC programs), is responsible for the firm-wide quality of this practice area and is the firm liaison for the AICPA's Government (Nonprofit) Audit Quality Center. With over 35 years experience in public and private industry accounting experience with all types of nonprofit and social service organizations, Ron brings a unique blend of knowledge and insight to these specialized engagements. Ron is a Certified Tax Credit Compliance Professional and is listed in the Guide which is circulated to all State Agencies Allocating Tax Credits as well as the Internal Revenue Service. He also has taken courses in advanced training for peer reviews and performs peer reviews of other accounting firms.

Philanthropic and Social Service Commitment

Ron is a member of the Board of Directors of First Occupational Center where he serves as Treasurer and is a member of the Education Committee for the Mid-Atlantic Chapter of the Society of Association Executives. Ron is a member of both the Plainfield Neighborhood Health Center Board (where he serves as Treasurer) and Union County Educational Services Foundation Board. Ron was the former treasurer and board member of Kids Peace Treatment Centers for emotionally disturbed children, located in Bethlehem, Pennsylvania.

Educational Background

Ron is a graduate of Kings College in Wilkes-Barre, Pennsylvania, where he received a Bachelor of Science Degree in Accounting.

8. About Sobel & Co.

Sobel & Co. is a middle market accounting and consulting firm with headquarters in Livingston, New Jersey. The firm has been providing nonprofit and social service organizations in the metropolitan area of New York/New Jersey with audit, accounting, tax and advisory services since its inception in 1956.

The firm currently works with more than 170 nonprofit organizations with revenues ranging from \$100,000 to over \$65,000,000. Based on this depth of experience, the professionals in the nonprofit group are keenly familiar with the issues facing nonprofits and they will apply this knowledge to bring added value to every engagement.

As a further demonstration of the firm's commitment to the nonprofit community, several complimentary programs are offered throughout the year. These include quarterly webinars and roundtable discussions and an annual symposium on timely and relevant topics. Monthly newsletters, articles, benchmark reports, surveys and white papers are also distributed to the nonprofit sector to provide them with access to cutting edge information.

Please visit Nonprofit & Social Services at www.sobel-cpa.com.



9. Footnotes and Citations

Some of the information in this white paper was obtained through research conducted on the following websites or articles:

[www.nonprofiteye.blogspot.com/2006/12/carving-our-way-to-disaster - recovery.html](http://www.nonprofiteye.blogspot.com/2006/12/carving-our-way-to-disaster-recovery.html)

The Resilient Organization: A Guide for Disaster Planning and Recovery, authors: Andrew Conry-Murray, Elliott Harmon, Kevin Lo, Chris Peters, Bryan J. Sharkey, August 2009.

Communications, Protection, Readiness (CPR) NPower's Nonprofit Guide to Business Continuity and Disaster Recovery, with contributions from the American Red Cross of Greater New York, William Krouslis, Allen Breslow, Esq., Joshua Peskay, Kim Snyder, Ken Liebman, Jack Stravidis, Frank Crystal & Co., John Burke, AIG, Bob Bender, Marcia Brown, Daniel Myers.
www.npower.org/tools/cpr_guide+final.pdf

www.cio.com/article/40287/business_continuity_and_disaster_planning

www.npccny.org/info/disaster_plan.html

www.npgoodpractice.org/Resource/ABCsBusinessContinuityDisasterRecoveryPlan