



An Internal Audit of Texas Lottery Commission Crisis Management Plan and Processes

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McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.



McConnell & Jones LLP (MJ) serving as the outsourced internal audit function (Internal Audit) for the Texas Lottery Commission (TLC) performed an internal audit of the agency's crisis management planning and response processes.

We conducted this audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Pertinent information has not been omitted from this report. This report summarizes the audit objective and scope, our assessment based on our audit objectives and the audit approach.

Objectives and Scope

The terms crisis management plan (CMP), continuity of operations plan (COOP) and business continuity plans (BCP) are used interchangeably by organizations and individuals. Regardless of the name used, each of these is a process that identifies risk, threats, and vulnerabilities that could impact continued business operations. The resulting plan provides a framework for building organizational resilience and the capability for an effective response to crisis. History has demonstrated that a poorly handled crisis can ruin an organization's reputation beyond repair.

The 80th Texas State Legislature, Senate Bill 908 Committee report, requires all state agencies and universities to have a business continuity plan (continuity of operations plan). The purpose of this audit was to review TLC's

crisis management and response planning to ensure:

- ✓ Procedures are in place to facilitate crisis identification and the respective response.
- ✓ That the agency's COOP is understood and easily accessible by the Incident Management Team and agency staff.
- ✓ That the agency's COOP is reviewed, practiced and updated on a regular basis.
- ✓ That the agency complies with statutory requirements.

Methodology

Our procedures included collecting information and documentation; reviewing operating procedures, laws, and regulations; conducting interviews with the appropriate TLC staff; and reviewing documentation for compliance with policies, procedures and laws.

Information collected and reviewed included the following:

- ✓ TLC Continuity of Operations Plan.
- ✓ TLC's 2015 State Office of Risk Management Continuity Plan Crosswalk for Texas State Agencies.
- ✓ The State Office of Risk Management March 10, 2016 Risk Management Program Review Report
- ✓ Guidance letter dated October 24, 2013 signed by the Executive Directors of the Texas Department of Public Safety, State Office Risk Management, and Texas Department of Information Resources and sent by the Texas Department of Public Safety to all Agency Heads.



- ✓ Texas Administrative Code Section 202.24 Agency Information Security Program.
- ✓ Texas Government Code 412 State Office of Risk Management Section 412.054 Continuity of Operations Plan.
- ✓ Texas Government Code Chapter 418 Emergency Management; also known as the Texas Disaster Act.
 - Sec. 418.188 Post Disaster Evaluation.
 - Sec. 418.121 Duty of Governor.
- ✓ Texas Government Chapter 552 Public Information Section 101 Exception: Confidential Information.
- ✓ Federal Continuity Guidance Circular 1, Continuity Guidance for Non-Federal Entities, FEMA, July 2013.
- ✓ Federal Continuity Guidance Circular 2, Continuity Guidance for Non-Federal Entities, FEMA, October 2013.
- ✓ Continuity Assistance Tool (CAT), Continuity Assistance for Non-Federal Governments, FEMA, September 2013.

TLC's Crisis Management Plan is well documented and will enable the agency to resume operations in a crisis event.

TLC's COOP is comprehensive and meets the guidance outlined in FEMA's *National Continuity Policy Implementation Plan; Continuity Guidance Circular 1 Continuity Guidance for Non-Federal Governments (States, Territories, Tribes and Local Government Jurisdictions)* dated July 2013 and *Continuity Guidance Circular 2 Mission Essential Functions Identification Process (States, Territories, Tribes and Local Government Jurisdictions)* dated October 2013.

TLC's COOP and supporting annexes ensure that the agency is in compliance with the state of Texas requirements. Additionally, the COOP documents, information technology infrastructure and disaster recovery planning ensure that the agency can adequately respond to crisis and resume critical operations within a few hours of a crisis event.

Business processes and staff roles change throughout the year and the agency must ensure that their COOP reflects these changes. Therefore, we provide the following opportunities to enhance the agency's crisis management planning and response. These are provided for management consideration and do not require management response or an action plan.

1. The agency should list positions in addition to individual names in the COOP and annex documents. This will enable all agency staff to know who is responsible in the event that a crisis should occur and there has been a change in personnel that is not updated in the COOP.
2. The COOP tabletop exercise should be conducted on a more frequent basis to improve documentation and ensure that the Incident Response Team and key staff

Conclusion

FEMA's *Continuity Guidance Circular* dated July 2017 states "Continuity of Operations (COOP) ensures an individual organization can continue to perform its essential functions, provide essential services, and deliver core capabilities during a disruption to normal operations. Effective COOP activities provide a baseline capability and represent the minimum standard required by a comprehensive, integrated national continuity program."



can execute their responsibilities in a cohesive manner. The tabletop exercises can be on a smaller scale or targeted to specific divisions/departments if they are performed on a more frequent basis.

- 3. Each division/department should conduct a crisis exercise at least twice per year to ensure that staff can quickly respond to a crisis and that the COOP/business continuity documentation is updated to reflect current business processes and needs.

Background

Texas Government Code 412 State Office of Risk Management Section 412.054 Continuity of Operations Plan places the following requirements on all state agencies, including TLC.

(a) Each state agency shall work with the office to develop an agency-level continuity of operations plan that outlines procedures to keep the agency operational in case of disruptions to production, finance, administration, or other essential operations. The plan must include detailed information regarding resumption of essential services after a catastrophe, including:

- (1) coordination with public authorities;
- (2) management of media;

- (3) customer service delivery;
- (4) assessing immediate financial and operational needs; and
- (5) other services as determined by the office.

The Texas Lottery Commission designated a Continuity Coordinator and assigned crisis management plan development facilitation and administrative responsibilities to this position. The current Continuity Coordinator holds a Level I, Professional Continuity Practitioner issued by the FEMA Emergency Institute Continuity of Operations Excellence Series. The Continuity Coordinator facilitated TLC’s COOP development, updates and annual tabletop exercises. Although the Continuity Coordinator is responsible for the COOP administration, the agency’s Executive Director maintains responsibility for directing all agency crisis response activities and for ensuring that the agency has the necessary resources to appropriately respond to a crisis event.

TLC prepared their COOP using the Texas State Office of Risk Management (SORM) crosswalk and the FEMA’s Federal Continuity Guidance Circular 1 and Circular 2 as a basis. This ensured that the agency was in compliance with applicable Texas Government Codes and Administrative Rule as summarized in **Figure 1**.

Regulation	Description	TLC Compliant
Texas Administrative Code Section 202.24	Agency Information Security Program	
Texas Government Code Chapter 412	State Office of Risk Management Section 412.054 Continuity of Operations Plan	
Texas Government Code Chapter 418	Emergency Management; also known as the Texas Disaster Act	
Texas Government Chapter 552	Public Information Section 101 Exception: Confidential Information	

Figure 1: Applicable Texas Administrative Rule and Government Codes.



TLC's Continuity of Operations Plan, dated December 13, 2016, is a high-level restricted, confidential document and is supplemented with detailed annexes that were developed by each TLC division. The annexes list each division's primary function, responsibilities and key processes along with required recovery times and resource requirements. Checklists and forms are also included to facilitate operational recovery and documentation. Most importantly, the COOP provides an order of succession section that lists the primary and secondary person that is responsible for business continuity in the event of a crisis. Additionally, each annex lists primary and secondary names of individuals responsible for key processes within the respective division/department.

TLC established a dedicated business recovery location in Austin, TX that is setup with workspace, computers, supplies and network lines that can be used during periods where the main office is inaccessible. This space is known to staff and directions on how to get to the location are included in the COOP.

The agency's information technology requirements are identified along with the required operational recovery time. TLC's Information Resources department (IR) has established disaster recovery processes whereby key information systems can be resumed within minutes to a few hours. These processes are tested on a regular basis. Additionally, the agency has established a connectivity network that provides multiple methods for staff to access the agency's network and systems if the primary network line becomes inaccessible.

TLC maintains a copy of the COOP and annexes on its internal network. Additionally, each person listed as a primary or secondary role maintains a copy of the COOP and annex either in hard copy or on their computer's

desktop. This ensures that the COOP is easily accessible in the event that a crisis was to occur.

TLC conducts an annual tabletop exercise to test its COOP. This exercise is facilitated by the agency's Continuity Coordinator and includes all individuals designated as the Incident Response Team (IRT). The tabletop exercise presents a crisis scenario and instructs each IRT member to execute their respective business continuity plan according to what is documented. This process enables the agency to identify gaps on the COOP documentation and develop processes to enhance the ability to quickly respond to crisis and resume operations.

National Best Practice Comparison

The Disaster Recovery Institute International (DRI) is the nonprofit organization that provides education, accreditation, and thought leadership in business continuity and related fields in an effort to assist organizations around the world to prepare for and recover from disasters. DRI publishes *The Professional Practices for Business Continuity Management* to assist organizations with their business continuity program development, implementation, and maintenance. Organizations that use this tool either to design their business continuity program or to assess their current program can reduce the likelihood of significant gaps in their crisis management program.

The following tables provide DRI's best practices for respective plans that are combined to make an organization's crisis management plan. These plans are:

- ✓ Incident Management Plan
- ✓ Crisis Management and Communications Plan



- ✓ Recovery Site Activation Plan
- ✓ Operational Recovery Plan
- ✓ Business Continuity Plan

- ✓ Technology Plan

TLC's COOP and supporting annexes contain all of the components outlined in DRI's best practice models.

#	Description	TLC COOP
Incident Management Plan		
A	Life-safety procedures.	 <p>TLC's COOP and supporting annexes include descriptions or processes for each of the details noted.</p>
B	Incident command and control procedures.	
C	Roles and responsibilities for the personnel involved in incident management.	
D	The location for the emergency operations center (EOC) location and procedures for its activation.	
E	The process for conducting an assessment, which should include: <ul style="list-style-type: none"> ➤ Protecting the site from further loss. ➤ A cost/benefit analysis of repair versus replacement of entity assets (such as equipment, technology, documents, data, furnishings, premises, or the plant). ➤ The estimated time needed to repair or replace entity assets. ➤ The agreed-upon restoration methods for entity assets. ➤ The approval process for restoration and insurance considerations. ➤ The salvage process. 	

Source: DRI International *The Professional Practices for Business Continuity Management*

#	Description	TLC COOP
Crisis Management and Communications Plan		
A	Contains a list of the individuals who will be part of the crisis management team.	 <p>TLC's COOP and supporting annexes include descriptions or processes for each of the details noted.</p>
B	Provides an outline of the procedures to transition from incident response to crisis management and business continuity.	
C	Notification procedures for communication to interested parties throughout event (such as status updates, media releases, and other targeted communications designed for interested parties), which may include, but are not limited to: <ul style="list-style-type: none"> ➤ Media ➤ Employees and their families ➤ Regulatory bodies ➤ Emergency first-responders and agencies, 	



#	Description	TLC COOP
	<ul style="list-style-type: none"> ➤ Special hazmat services ➤ The governing board of directors or other relevant leadership authority ➤ Other involved groups (such as customers, vendors, or suppliers) 	

Source: DRI International The Professional Practices for Business Continuity Management

#	Description	TLC COOP
Recovery Site Activation Plan		
A	Alert procedures	 TLC's COOP and supporting annexes include descriptions or processes for each of the details noted.
B	Declaration procedures	
C	Recovery infrastructure provided, which may include: <ul style="list-style-type: none"> ➤ Administration and logistics ➤ New equipment or just-in-time drops 	
D	Technical services and procedures, such as: <ul style="list-style-type: none"> ➤ Communication networks (including voice, data, and wireless) ➤ Data preparation ➤ Application support 	
E	End-user liaison	
F	Business operations	
G	Inter-site logistics and communications	
H	Production recovery process and procedure	

Source: DRI International The Professional Practices for Business Continuity Management

#	Description	TLC COOP
Operational Recovery Plan		
A	Identifies recovery teams, including both primary and alternate teams.	 TLC's COOP and supporting annexes include descriptions or processes for each of the details noted.
B	Describes the logistics involved in arranging for the travel and housing of recovery staff, transporting the data needed for recovery, and assuring the procurement of additional resources, as necessary.	
C	Outlines the resource documentation, including, but not limited to, <ul style="list-style-type: none"> ➤ Technology requirements ➤ Vital records ➤ Voice and data communications ➤ Critical external contacts and suppliers ➤ Equipment requirements 	

Source: DRI International The Professional Practices for Business Continuity Management



#	Description	TLC COOP
Business Continuity Plan		
A	Identifies recovery teams, including primary and alternate members.	 TLC's COOP and supporting annexes include descriptions or processes for each of the details noted.
B	Alternative ways to conduct business when normal resources are unavailable.	
C	Business continuity processes, procedures, and communication.	
D	Mobilizing alternate resources.	
E	Managing alternate resources.	

Source: DRI International *The Professional Practices for Business Continuity Management*

#	Description	TLC COOP
Technology Plan		
A	Identifies recovery teams, including primary and alternate members.	 TLC's COOP and supporting annexes include descriptions or processes for each of the details noted.
B	Describes how resources will be mobilized.	
C	Describes the logistics involved in arranging for the travel and housing of recovery staff, acquiring the data needed for recovery, and the procurement of additional resources.	
D	Lists the required resources.	
E	Identifies storage requirements, which may include, but are not limited to, network storage devices and data storage devices.	
F	Identifies voice and data communications hardware, which may include, but are not limited to, network switches and interface equipment.	
G	Identifies hardware and software requirements, which may include, but are not limited to, processors, tape drives/tape silo/virtual tape library, application software, operating systems, source code, and security software and devices.	
H	Identifies infrastructure requirements, which may include, but are not limited to, power sources and controllers; heating, ventilating, and air conditioning (HVAC); cabling; and access security.	
I	Identifies information security requirements, which may include, but are not limited to, firewalls, authentication, virus or spyware protection, encryption, key contacts and suppliers, and equipment requirements.	
J	Outlines a detailed procedure for the recovery of the technology environment, including the following steps: ➔ Identifies application dependencies.	



#	Description	TLC COOP
	<ul style="list-style-type: none"> ➔ Creates a process for change management. ➔ Creates a process for problem management. 	
K	Includes a plan for testing, exercising, and maintenance (including exercise requirements); scope, objectives and schedule; and a plan maintenance program.	

Source: DRI International *The Professional Practices for Business Continuity Management*