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ADVISORY TAX AUDIT

OPEN FOR BUSINESS
HURRICANE PREPAREDNESS GUIDE

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01. INTRODUCTION

Mother Nature's wrath can be manifested in any size, shape or form. Whether it be from hurricanes, tornadoes, earthquakes, snowstorms, fires, or floods, the impact of a natural disaster can be immeasurable. Natural disasters can (and have) caused devastating and costly damage to communities and businesses across the globe. Catastrophes do not discriminate based on location: businesses in all geographic locations are susceptible. Unfortunately, it is oftentimes only after a disaster strikes that management begins to think about a hurricane plan. The stakeholders are left thinking "what could we have done differently?"

Now is the time to ensure that you have taken all the steps needed to prepare your business. As the quote goes, the best offense is a great defense. Disaster planning has the potential to save lives and minimize the time, damage, and costs of recovery while ensuring that you are able to open for business in a timely manner after a disaster strikes.

How can businesses prepare?

The extent of the steps needed to prepare vary greatly depending on the size of the business, geographic location, and responsiveness of management. Regardless of these factors, there are some important measures that can be taken by any business to help mitigate the destructive effects of disasters and/or aid in recovery when one should occur.

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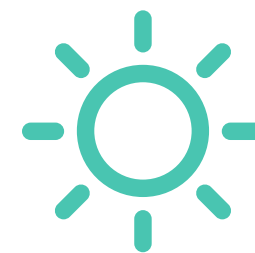
In the event of an emergency, there are several steps that can be implemented to help mitigate both the physical and emotional damage caused by unforeseen disasters. When possible, proper planning should be done in the days, months, and years prior to a potential disaster in order to have the most favorable result.

CREATING A DISASTER PLAN

First and foremost, the existence of a disaster recovery plan (DRP) is essential. Such a plan should be developed to consider a range of both minimal damage and complete loss. It must be both comprehensive and adaptive in order to be useful in a wide array of situations. Some key components of a DRP include:

- Reviewing geographic experience to assess and identify existing and potential disasters risks
- Reviewing insurance policies and deductibles and understanding coverage limits
- Ensuring safe storage and protection of important property and governance documents
- Preparing and reviewing financial budgets to consider the need for reserves
- Establishing an emergency management team (EMT) and a secured command center

It may be true that a more general plan may certainly be easier to implement from an ease of completion standpoint. However, non-specific plans can lead to inadequate responsiveness in times of panic and ultimately lead to unnecessary costs, increased exposure and possible injury.

Management, with the help of the board of directors, when applicable, should detail the plan in a manner that considers all possible disasters and outcomes prioritized by risk and importance. At a minimum, the plan should account for all types of natural events that are common to your geographic location and include an up-to-date drawing of the property and important sections such as water shut-off valves, backup generators, lifesaving equipment, and fire extinguishers etc. The plan should be available at a moment's notice and all team members should be well versed in both the location of the plan and what it contains. At the end of the day, management's primary focus should be to ensure the safety and livelihood of its employees. Secondarily, management should address any physical property concerns.

BUDGET UTILIZATION

Businesses utilize budgets daily and often times, these budgets simply address daily operational expenses and do not consider contingencies, such as disaster recovery. When developing annual budgets, management should consider potential reserves and deductible amounts. This will help address financial needs in a time of crisis and ensure funds are available to meet immediate emergency and recovery costs. The planning should not stop at simply budgeting for these events; properly funding of the reserves and the ease of accessibility of those funds should also be considered. For example, having reserve funds tied up in non-liquid assets or restricted investments will not provide any relief during emergency response times. Additionally, 100% reliance on insurance reimbursements may prove detrimental, especially if claims processing is delayed or if coverage amounts are insufficient to cover the cost of the damage.

PERFORMING A RISK ASSESSMENT

A risk assessment analysis can be a useful tool in determining areas where a business might be susceptible to loss, the extent of the loss, and ways to prevent the loss.

The location of the business is important as each geographic location has its own set of risks. Although certain locations are more susceptible to specific risks than others, no location is completely risk-free. However, location does affect the direction and focus of your risk assessment procedures. Use these considerations when performing your risk assessment:

- Identify the nature, location, intensity, and likelihood of potential risks.
- Inspect your property to determine the existence and degree of vulnerabilities and exposure to risks.
- Identify the capabilities and resources available to your business and management that can assist in minimizing the level of risk or the effects of a disaster.
- Prioritize risks and countermeasures needed to address those risks.

In the process of establishing insurance coverage limits, the insurer will often assess the major components to ensure coverage is adequate in the event of emergency. The insurer may also suggest disaster mitigation resources.

The Federal Emergency Management Agency (FEMA) suggests the following disaster mitigation tools:

| TYPE OF DISASTER	RECOMMENDED MITIGATION TOOL
HURRICANES	Hurricane/storm shutters
TORNADOES	Laminated or impact-resistant glass
EARTHQUAKES	Retrofitted masonry
FLOODS	Accessible sand bags and elevated structures
LIGHTNING STRIKES	Lightning rods
WILDFIRES	Interior and exterior fire sprinkler systems

Note that a risk assessment is not a one-time process. Factors continually change that could affect identified risks, either raising or lowering their priority and new risks can come to light. This is an on-going process which should be reviewed periodically to determine if new risks need to be addressed and whether the previous action items were adequately implemented.

INSURANCE COVERAGE

While liquid cash reserves are important, adequate insurance can be the lifesaver of a business in a time of need. Adversely, inadequate insurance can prove extremely costly and could prevent a full recovery. As your business grows, coverage that was previously deemed sufficient may not be sufficient any longer. Expansion,
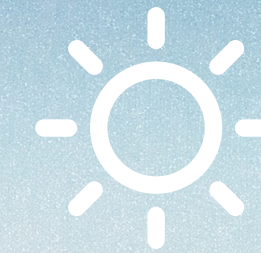
growth, and regulatory changes can all affect the adequacy of your coverage. Following a risk assessment, management should perform annual insurance assessments with an insurance agent familiar with the industry to ensure that coverage is adequate. In doing so, management should explore all potential risks to the property and estimated costs associated with each risk. This will help determine a range of required insurance coverage.

Some key aspects of potential loss analysis include:

- Loss or damage of physical assets
- Loss or damage of data
- Loss of income
- Personal injury and death

Another key component of the insurance assessment involves establishing deductibles. It may seem beneficial to reduce premiums by increasing deductibles, but in the wake of tragedy, deductibles need to be viable. Unfortunately, that may mean higher rates in the normal course of business.

UTILIZING TECHNOLOGY

The storage of the disaster plan information should be done electronically as well as physically. In case a disaster destroys the property, access to the plan needs to remain available. The most common method for this is the use of off-site backups or cloud based backups.

Important information to keep inventoried includes:

List and location of all banking information and representatives
Vendor contact information and contracts (including accountants, attorneys, insurance agents, and security service reps)
Insurance policies including limits and deductible information
Detailed list of physical furniture, fixtures and equipment
List and location of emergency supplies (first aid kits, radios, flashlights, batteries, etc.)

With communication tools at the tips of our fingers, getting the message out has never been easier and has also become an expectation of owners and clients. By using company specific channels, including social media and email, the delivery time of disaster messages can be instantaneous and effective.

Establishing and training staff on the preferred method of communication should be encompassed with the regular and routine training sessions.
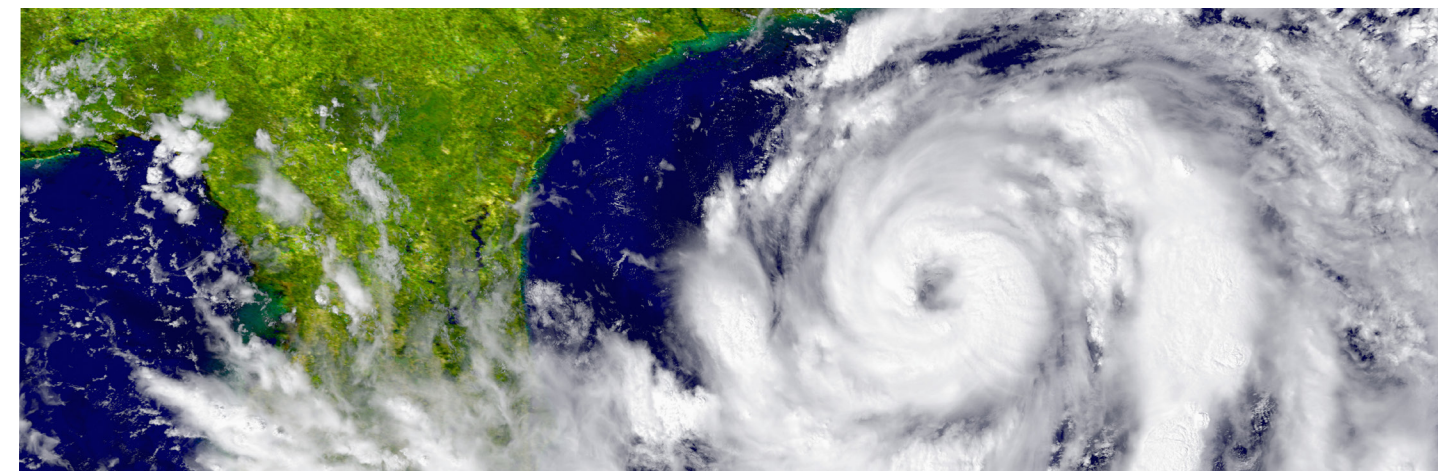
While the use of technology can be effective, more primitive methods should still be accessible in times where technology may not be available.

ESTABLISH EXPECTATIONS

Every employee should know and understand the business' disaster plan, and their roles in it. Not all staff have the same capabilities. Roles need to be specifically designed for each person and should not be general in nature. This may mean electing an emergency management team, documenting all contact numbers including alternate phone numbers, and determining an emergency operations center location. By doing so, management can ensure each employee knows what to do and where to go when disaster strikes. The best way to guarantee good execution is through specific assignments and periodic and regular training sessions with all staff.

EMERGENCY MANAGEMENT TEAM
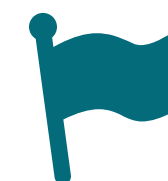
Once all aspects of the plan have been developed, an emergency management team (EMT) comprised of capable and knowledgeable decision makers should be created. The key functions of the EMT include collecting and analyzing data necessary to make the most efficient and accurate decisions in the best interests of the business and its stakeholders. Roles for each member should be clearly established and documented and the contact information for each member should be easily accessible to all relevant parties. With the team established, the final focal point of the disaster planning is establishing a secure location from where disaster response can be managed. This location should be easily accessible by all members of the EMT and allow for unrestricted access to the necessary tools to respond to a disaster of any kind. The ease and efficiency involved with executing the plan and getting the EMT into action is of the upmost importance. The quicker the EMT can get into a position of managed control, the sooner the recovery phase begins. And the sooner the recovery phase begins, the sooner operations can resume.

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03. BUSINESS CONTINUITY IN THE EVENT OF A DISASTER

Does your business have a plan in place to ensure that your business operations will continue in case of a disaster? Keeping a business operational or at the very least bringing it back to an operational level in a timely manner is key to starting the recovery process. Assuming safety concerns have been properly addressed, it's never too soon to start the process and there are a couple of concepts that can be used to get the ball rolling.

TIPS FOR A BUSINESS CONTINUITY PLAN

Having a strong business continuity plan in place helps maintain your company's productivity and protect its future in the event of a system failure, loss of access or natural disaster. Without such a plan, these disruptions could prove devastating.

The first vulnerability you'd encounter during an emergency would be that you don't have a way to get in touch with your employees. Most organizations are so reliant on email that if your mail server goes down, it disrupts your business and hurts productivity.

The second problem would be your inability to respond to customer demands. Your customers have come to expect 24/7 responsiveness, even during an emergency. So when your system goes down, they may perceive that you've simply vanished.

The third problem, which may take a little longer to emerge, is that you'd be unable to maintain basic services, such as paying your bills, paying employees and generating revenues, all of which have dramatic implications.

With those issues in mind, here are three tips for maintaining productivity and business continuity in the event of a disaster or system failure:

1 Develop procedures to ensure each of your critical business functions are covered: The main goal is to allow your organization to continue functioning in the event of a disaster or emergency. That means preparing contingency plans for restoring email, voicemail and other systems that are involved in revenue generation and operations.

2 Test your disaster preparations: Many organizations plan for disasters, but then never test the safeguards they put in place, and that puts the entire organization at risk. If you never test your data backup system, for example, you risk finding out that it doesn't work when you actually need it. And when businesses lose their critical data, many are unable to recover. Schedule regular testing for your backups and disaster simulations to make sure your plans are viable.

3 Move your critical systems into the cloud: In an emergency, cloud computing provides tremendous advantages and cost savings, especially for small- and medium-sized businesses. In the past, continuity planning was only for businesses that could afford the expense of a second data center, but cloud computing makes it affordable for any business, and the cost is falling year over year.

Another advantage the cloud offers is dispersed geographic computing. This minimizes the impact of regional service interruptions and system failures on your business and productivity.

And since the cloud provides a highly scalable platform, with the ability to turn resources on and off as required, your system easily scales up in the event of an emergency to accommodate increased demand from employees and customers.

In terms of disaster recovery, the Microsoft Azure cloud platform is constantly evolving, with new features released almost quarterly. Recently, Microsoft introduced a geographic failover feature: If one of its cloud computing data centers is hit by an emergency, the data has been automatically replicated at another facility in a different region, providing a reliable infrastructure for disaster recovery.

Other Azure capabilities include automatic backup of SQL databases, the ability to move virtual machines automatically to the cloud and replication of your identity management (user names and passwords). In addition, Microsoft has added tools to allow IT managers and departments to manage the complexity of disaster recovery plans.

In today's connected world, more content is generated than ever before and the digitization of our economy has led to significant productivity gains. Businesses of all kinds (and sizes) now rely on digital technology like Microsoft Office 365 for communication and operations, and their customers expect 24/7 responsiveness. That makes it more important than ever to have a planning roadmap for maintaining that digital connection and infrastructure at all times, especially during an emergency.

DOCUMENT AND DATA SECURITY

Protecting crucial documents is imperative in the aftermath of a crisis. The first step in safeguarding documents is to determine which records are the most vital. Some questions to ask when identifying crucial documents include:

- Are they important to running the business (legal or operational)?
- Are they required by regulatory agencies?
- Are they available remotely?
- Can they be recreated?

Many documents can be recovered or regenerated but that process could take weeks, months or even longer. In order to prevent the loss of information, time, and effort, proper storage of important documents is essential. Off-site physical servers as well as cloud and electronic storage are the most common methods of secure storage. In some instances, these types of storage can provide users mobile access at any time from any location. Internal protection options include fire and water proof safes as well as water resistant formats such as CD's. Whatever on-site options are chosen, common oversights include storing documents away from ground levels and fire sprinklers.

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04. DISASTER AFTERMATH

05. CONCLUSION

In the aftermath of disasters, there are several resources and links that may be useful in aiding recovery.

FEDERAL RESOURCES

After the disaster strikes, the Federal Emergency Management Agency (FEMA) leads the Federal government's efforts to provide assistance and support to victims affected by disasters. FEMA's website can be a great resource to find up-to-date information on the disaster, information about returning home and cleanup as well as other useful tips. FEMA has also established some designated links to help with area's risk assessment and preparedness for earthquakes and wildfires.

FOR OTHER DISASTER RECOVERY INFORMATION FROM FEMA OR TO SEARCH FOR AN EVENT, YOU CAN SEARCH WWW.FEMA.GOV/DISASTERS FOR A LIST.

SBA

The Small Business Administration (SBA) provides disaster assistance loans, programs and resources to affected businesses. **sba.gov**

DISASTERASSISTANCE.GOV

The Disaster Assistance Improvement Program (DAIP) provides information, support, services and disaster assistance through partnerships with Federal, tribal, state, local and private sectors.

CHARITABLE GIVING

If you are inclined to donate to a cause in support of victims of natural disasters and/or recovery efforts, it is important to research the charity and ensure they are reputable and that relief efforts are effective. A useful website for this research and links to organizations providing disaster relief in addition to charity ratings is **www.charitynavigator.org**.

Disasters typically strike unexpectedly. When they do occur, reaction and recovery can consume some of a business' most valuable assets, people and resources. Recovery can take weeks, months or even years depending on the severity of the disaster. Proper disaster preparedness requires the existence of a disaster plan, the timely and accurate execution of the plan, and the financial and physical capabilities to execute the plan. With appropriate planning, a business can maximize response and possibly minimize damage as well as ensure the business and its owners and clients are back to normal as quickly as possible. There is no need to recreate the wheel when making a plan. Many businesses have made solid plans that can be used as a base to start the process.

So Don't Delay — Get Started Today!

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ABOUT WITHUM

Withum is a forward-thinking, technology-driven advisory and accounting firm, committed to helping clients be more profitable, efficient and productive in the modern business landscape. Founded in 1974, the firm is headquartered in Princeton, NJ, with additional offices located in major financial centers including Boston, MA; New York City, NY; Philadelphia, PA; Washington, DC.; and Orlando, FL. Withum is an independent member of HLB, the global advisory and accounting network, with international reach to over 150 countries worldwide. Serving businesses and individuals on a local-to-global scale, our professionals provide the expert advice and innovation solutions you need to Be in a Position of StrengthSM in today's fast-paced, tech-driven world.

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