

Disaster Preparedness and Recovery for Small Businesses



No matter how successful your small business may be, you must always be on guard against the effects of a disaster. Whether fire, flood, or a power outage that results in data loss, disasters that may affect your business come in many forms. Studies show that 90 percent of companies affected by disasters fail within a year after the disaster unless they can restore operations within five days. That means if your business is prepared you have a fighting chance to recover.

Know Your Disasters

It's impossible to prepare for a disaster if you are unaware of the types that could take place. Disasters

range from burst pipes and power outages, to earthquakes, fires, and floods. The first step in preparedness is to take note of the different types of disasters that could affect your business, then rate them by their level of impact and likelihood of occurrence. If you don't know what the risks are for your particular business or location, consult your local Red Cross or emergency management agency.

Planning Steps

Once you know the types of disasters that could affect your small business, the next step is to plan. While, for example, retailers may plan somewhat differently than manufacturers, almost all kinds of businesses can take the following precautionary steps so they are equipped and prepared:

- **Acquire the essentials.** Does your business have a fire extinguisher? A hose? How many of each? The more tools you have that could douse a fire or lessen the effects of an earthquake, the better off you, your employees, and your business will be. In addition, if you can get insurance to cover possible catastrophes, do so. There are commercial property and casualty insurance agencies that cover all kinds of losses – whether it be from data breach, floods, fires, or even robberies.

- **Develop a crisis management team.** This team would be responsible for knowing how to act in the case of a disaster and when to use all of the essentials you've acquired. Your team should develop emergency and business continuity plans for disasters, and communicate the plans to employees in all departments of your business. These plans could include evacuation procedures, emergency communication methods, and the creation/use of disaster recovery kits. If your business doesn't have enough employees to warrant a team, designate two people or take on the responsibility yourself.
- **Have a data backup plan.** Many small businesses depend on the data they store to run smoothly and effectively. At any given point, however, a power outage could result in the loss of all of that data. With this in mind, it's important to have a backup plan. Have a generator and surge protectors in place so that your data will stay secure in the event of an emergency. You should also consider backing up your data every few days with a facility located somewhere that's not as prone to disasters.

Once you have developed your plans, test them to ensure that you have all of your bases covered. Implement



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Administration has provided more than \$54 billion in loans to disaster survivors since 1953. With the right interest rate and the right repayment plan, your business could be back up and running in no time.

Depending upon the disaster that befalls your company, there may be relief in the form of special tax considerations from the IRS. Federally declared disaster areas have the option of claiming disaster-related casualty losses on their federal income tax return for the year it occurs, or sometime for the prior year's return through an amended return. Additionally, taxpayers may be eligible to postpone filing or paying taxes, depending upon timing. A CPA can help determine what options are available for affected individuals and businesses.

A CPA can help to make sure your company is ready financially if a disaster strikes, and should be in the discussions of what your disaster recovery kit should include. As a trusted adviser, a CPA can help put your business continuity plan into action and jump-start your business to return to a pre-disaster state.

evacuation procedure drills, and test your data backup plan every now and then to ensure that your operations are restored. Having a plan in place without testing it could yield unexpected results after a disaster, including a longer-than-anticipated delay in your business's recovery, or even a failure of recovery.

In the Event of a Disaster...

Stay calm. Your employees' health and safety precede that of your business, so it's crucial that you remain calm so you can think rationally and use the resources you prepared during your planning stages. At this point,

hopefully you have all your essentials, your data backup plan, and a crisis management team that can help with the necessary steps to keep your staff and your business safe.

Recovery and Restoration

The disaster has passed. Now what? The first step is to ensure that you and your employees are out of harm's way. Then, take advantage of your insurance policies so that your business is covered for any losses as a result. If for any reason you were unable to obtain insurance for your business, you can obtain a disaster loan. The Small Business



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