

Business Finances

Another important consideration for business continuity is to have arrangements with banks, credit companies, and accountants for sudden cash flow needs in a disaster. Veterinarians, shelters, farms, and suppliers will have to maintain cash flow until business resumes. Cash flow is needed for the obvious recurrent bills, such as rent and service fees, but staff also need to be paid to help with cleaning up, filing records, answering phones, rescheduling, and booking new appointments.

Before a disaster, arrangements can be made with banks, lenders, and other creditors to ensure that cash flow can continue and business expenses can be paid. To do this, policies and procedures should be established to arrange for appropriate financial transactions, including accounts receivable, accounts payable, payroll, and cash transactions. Many banks and other financial institutions offer post disaster financial assistance, the terms of which can be very favorable if they are worked out ahead of the disaster. State and federal disaster assistance centers should be consulted too.

Table 14-5 Determining the vulnerability of a business

Item	Consideration
Past history	Does your community have a past history of certain types of emergencies? If your community has had floods, forest fires, or industrial accidents before, these emergencies could happen again. The risk may be higher than in communities that have not experienced these emergencies. You can learn about the history of emergencies from local newspaper records, emergency management offices, or your local American Red Cross chapter. However, there is no guarantee that <i>only</i> those emergencies experienced in the past will happen in the future.
Geographical characteristics	If you live near an ocean, river, fault line, or mountains, related natural hazards could affect you. Learn the geography in your area and the associated hazards.
Community characteristics	Your community has many important characteristics. A large city with important industries or military installations may be at risk from both natural and technologic hazards. A small rural community may have few risks from technologic hazards but high risks from natural hazards. Your emergency manager or city planner can provide information about major industries and the other characteristics of your community relevant to its hazard vulnerability.
Distance from transportation routes, cities, industries, or military bases	Although your community may appear to have few risks, you may be close to high-risk areas. For example, airplanes may fly over your area. Hazardous materials are transported by train, truck, or pipeline, and their routes may run through or near your community. Your local emergency management office can give you information to help you analyze your risk from those hazards.
Natural hazards	Severe thunderstorm, flood and flash flood, landslide and mud flow, tornado, hurricane, winter storm, drought and extreme heat, wildfire, earthquake, tsunami, volcanic eruptions

From Federal Emergency Management Agency: *Emergency manager*, Independent Study Course, 1994, FEMA.

Table 14-6 Calculation of continuity probability

Hazard	Score
Location	
Major interstate highway within 0.5 mile	3 per interstate
Railway line within 0.5 mile	3 per railway
Potentially hazardous neighbor	
Research lab within 0.25 mile	3 per facility
Chemical facility within 0.25 mile	3 per facility
Landfill within 0.25 mile	2
Nuclear power plant within 0.5 mile	4
Military base within 0.5 mile	2
Defense plant within 1 mile	2
Munitions plant within 1 mile	4
Foreign embassy adjacent	1 per country
Airport within 0.25 mile	2
Military base adjacent	3
Munitions, explosive, or nuclear power plant adjacent	5 per facility
Airport adjacent	1
Natural Hazards	
Earthquake zone	15 if building is earthquakeproof 20 if building is not earthquakeproof
Tornado zone	10
Hurricane zone	10
Volcano zone	2
Floodplain	8 if in 100-year plain 3 if above 100-year plain
River, coastline, dam within 0.25 mile	8 per risk factor
Miscellaneous	
Large metropolitan area	15
Suburban industrial park	8
Rural area	4
Buildings steam heated	2
If other companies also use same computers	1 per company
If business is above 20th floor	4
Asbestos or PCBs are in building	3
Buildings over 25 years old	2
Building is wood frame	3
HAZARD SCORE TOTAL	

Mitigation feature	Score
Diesel generator or equivalent power source	5
Satellite or microwave communications	3
Telecommunications route diversity	3
Redundant water supply	3
Automatic fire detection and dry charge suppression	4
Redundant chillers, pumps, cooling facilities	3
Data stored off site	3
Compliance with National Fire Protection Association Standard 75	3
MITIGATION SCORE TOTAL	

Subtract mitigation score from hazard score. Use the next table to determine the need for a business contingency plan.

Interpretation	
Score	Action
≥40	Develop plan or relocation is recommended.
30-39	Vulnerability is high to changes in the areas that may affect overall rating.
20-29	Consider improvements.
10-19	Determine if this score is coincidence, luck, or due to planning; if it is not due to planning, develop plan.
≤10	Business is in good shape.

Modified from IBM Business Recovery Services: *Safe site test*, Sterling Forest, NY, 1996, International Business Machines.

Table 14-7 Formal plan preparation (vulnerability assessment)

List potential emergencies based on
Historical experience
Technological hazards
Human error (internal, external), past experience, and stories from others
Physical features of building and environment
Regulatory constraints
Estimate probabilities of each hazard
Use scale from 1 to 5, see Fig. 14-2
Assess potential human impact on
Employees
Clients
Veterinarians
Families of each of above
Assess potential property impact by estimating the
Replacement costs of building and equipment
Cost of temporary equipment replacement
Repair costs
Assess potential business impact caused by
Business interruption
Employees unable to come to work (affected or not paid)
Customers unable to reach facility
Company in violation of contractual agreements
Imposition of fines and legal costs
Interruption of critical supplies
Interruption of product distribution
Assess internal and external resources
Personnel and physical resources and capabilities
Conflicting priorities of resources in an emergency
Adequacy of training
Sufficiency of equipment
Mutual aid agreements between practices
Contractual agreements with contractors
Contractual agreements with financial institutions
Develop realistic plan to estimate residual operations after a disaster
What are essential functions to remain operational?
How long can a business afford to be shut?
To what degree will insurance cover losses?

From Federal Emergency Management Agency: *Emergency management guide for business and industry: a step by step approach to emergency planning, response and recovery for companies of all sizes*, FEMA 141, Washington, DC, 1993, FEMA.

Several possibilities exist to defray the cost of disasters through itemized tax returns. A certified accountant should be consulted on possible options. Generally the amounts claimed are more than \$100 or more than 10% of gross income that cannot be claimed by other means. After a federally declared disaster it is possible to amend the previous year's tax return. However, the Internal Revenue Service frequently investigates claims that are greater than \$5000.