Preparing for Disaster in 2017

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Today’s topic

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Vicki M. Lambert, CPP, is President and Academic Director of The Payroll Advisor™, a firm specializing in payroll education and training. The company’s website www.thepayrolladvisor.com offers a subscription payroll news service which keeps payroll professionals up-to-date on the latest rules and regulations.

As an adjunct faculty member at Brandman University, Ms. Lambert is the creator of and instructor for the Practical Payroll Online payroll training program, which is approved by the APA for recertification credits.
Disaster Plans in Payroll

Back in the late 1990’s, with Y2K looming on the horizon, many payroll departments were coerced into creating elaborate and multilevel disaster plans that may have even included guarding offices in case of riots and having enough currency on hand to pay all employees in cash.

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When Y2K turned out to be, shall we say, less of a disaster than it was hyped to be, these disaster plans were shelved.
Disaster Plans in the 21st Century

After 15 years of experiencing power outages in the Northeast, severe ice storms in the Midwest, hurricanes Harvey, Irma and Maria, wild fires in California and the horrible events of September 11th it has become all too clear that disaster recovery plans must be a critical part of any payroll department’s long range planning.

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The Basics

- Can be called a Disaster Recovery Plan
- Can be called a Business Continuity Plan
- Can cover a whole department
- Can cover just basic needs
- Must be in writing
- Must be practiced and in place before the disaster
- No best way just best practices
Disaster Plans in the 21st Century

Whether the disaster is manmade
- computer viruses, power outages or terrorist attacks

Or natural
- wildfires, floods, windstorms, earthquakes, snowstorms, hurricanes or tornados
- Any business disruption can short-circuit paychecks and third party transmissions
Disaster Plans in the 21st Century

- Any delay in paying employees can expose the company to penalties and fines for noncompliance in reporting and remitting payroll taxes or adhering to wage and hour law requirements
Some Relief Can Be Expected

- When natural or otherwise disasters affect a portion of the country, the Internal Revenue Service and most states affected will and do provide tax extensions to employers.
- Neither is able to forgive interest for the late deposits or reporting even while abating penalties.
- It clearly behooves payroll to do everything it can to ensure that business “goes on as usual” even during disasters.
Data Loss is Also a Disaster

- Simple human error
- Operating system/software malfunctions
- Hardware failure
- Damage from fire, smoke, water, manmade and/or natural disasters
- Power outages
- Employee theft or fraud
- In this day and age: Sabotage, hacking, viruses
- These have to be included in a disaster plan
Your Plan Needs to Address…

Payroll needs four major assets to operate during a disaster

- Facilities
- Hardware
- Network
- Data

You will need to address how you handle these items in your plan
Facilities

- Where will it be located?
- Is there readily available support nearby such as hotels, motels, grocery stores?
- How many people can it support?
Facilities

- How remote is it?—Fly or drive or both?
- Can back up to payroll be easily updated on a regular basis?
- Does it have all the features needed such as a desk, chair, lights, sufficient outlets, surge guards in place

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Hardware

- Is there a computer there already?
- Do I bring the laptop with me?
- Are there printers and fax machines?
- Phone equipment in place?
- Cell phone chargers and/or cell phone?
Network

- Internet connection up and running and tested?
- Any connections needed to outside service bureau—special modems or whatever?
- Phone system up and running?
- Cell phone availability—is there Wi-Fi or cell phone coverage?
Has my payroll been backed-up as of the last payroll and is available either on the computer or through the internet (cloud?)?

Other data such as time card info—available or are we using an alternate plan to calculate hours worked?
Heart of the Plan

- How does payroll establish a disaster recovery plan (DRP) or improve its existing plan?
- Basically, the “heart” of any disaster recovery plan is organizing the tasks to be executed and thoroughly documenting the procedures for such execution.
Create the Outline

- The first step would be to create an outline of the tasks that need to be done and use this as a guide in creating the detailed procedures.
- This will also affect the facilities you will need as well as the hardware.
But Before You Can Do That…

- You must document your own procedures to ensure that you have everything up to date on how it is being done in the payroll department under normal circumstances.
- This is then used as a basis for the task list and the emergency alternatives.

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The Task List *Could* Include…

- Collection of employee data
- Time calculation
- Paycheck calculations
- Information from vendors and third-party benefit providers
The Task List *Could* Include…

- Paycheck printing
- Direct deposit information
- Reports or interfaces with other company departments
- Reports or payments to government agencies including the IRS and child support agencies
Once the Tasks Are Identified

- Evaluate each task
- What is absolutely required
- What can wait until disaster is over and payroll back up and running
- Not looking at cost effective, most efficient or even best practices
- Looking at getting the payroll out during a Zombie Apocalypse
It is important to examine the critical function at each stage of the payroll process and the significance of a breakdown at that juncture in processing the payroll. It may be possible that some critical functions, though essential for normal processing, may be able to be sidestepped during a disaster. This could include payroll reconciliations and Form W-4 changes.
A Look At Critical Functions

- **Critical Function:** Time input by employee:
  - Physical access to time clock, time sheet or electronic time screen
  - Ability to submit paper work
Alternative Solutions:

- Call in time via special telephone number
- Email using WHD phone app
- Fax timesheet to designated number or into computer at alternate site
- Set up pre-established default time sheets
A Look At Critical Functions

- Critical Function: Input of hours to system:
  - Data entry by hand from time cards or sheets
  - Input directly to computer system by electronic transfer
And Alternative Solutions

- Alternative Solutions:
  - Capability to input at remote site using methods discussed on previous slide or;
  - Establish uniform hours calculation to use until system is re-established
A Look At Critical Functions

Input of information from outside sources:

- Feed to system from other departments
- Human Resources or A/P
- Advances, relocation, health and welfare benefits
And Alternative Solutions

Alternative Solutions:

- Create disaster plan that includes HR if systems are linked
- Forgo any A/P items for the duration—catch up later
- Coordinate with A/P disaster plan
A Look At Critical Functions

Critical Function: Physical Production of Payroll:

- Printing of payroll checks
- Creation of direct deposit file
- Creation of payroll reports

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And Alternative Solutions

Alternative Solutions:

- Establish means to print checks and have check stock on hand—and means to distribute
- Cancel direct deposit until system is re-established if needed—set up direct deposit as part of software before disaster
- A/P net checks in locations not affected if mail is interrupted
- Create payroll reports at remote location
A disaster recovery plan (DRP) also must include hard physical considerations as well as processing payroll.

If the plan calls for the payroll department to be moved to a different location or city, then the office space, computers, payroll system connection, backup files, phone lines, phone equipment, and internet access must be found and set up when the plan is approved and not just listed as the plan without actually having a physical place ready.

It must be a site that is up and running and ready to go with just a few hours notice.
Hard Physical Considerations

- The location information and such items as access codes should be included in the plan as well.
- Transportation to the site must also be considered.
- Would payroll personnel be able to travel to this site during a disaster?
- If they can, then the plan must include the transportation details.
- The plan cannot rely on public transportation or the employee’s own vehicle since neither may be available during a particular disaster.
The Human Factor

- The disaster recovery plan should also include the human factor
- To ensure that personnel are available to implement the DRP, the communication plan is a critical part of the disaster recovery plan
- Emergency meeting places and special emergency phone equipment need to be established and communicated to the teams
- This way companies can quickly identify missing employees and assemble teams
Identify Key Personnel

- Key personnel need to be identified and trained on the plan
- For payroll, this would be any member of the department
- In addition, back up teams need to be established
- Though not usually included in back up plans, the World Trade Center tragedy brought this issue to light when entire recovery teams were killed
The Backup Team

- The back up team for payroll could be the payroll manager’s supervisors (Controller or VP of Finance)
- Or the back up personnel depending on the size of the department
- These are employees who are familiar enough with the payroll system to execute the disaster recovery plan but need not be capable of fully running the department over a long period of time
Physical Comforts

- Physical comforts must also be taken into consideration in a disaster recovery plan.
- Depending on the event taking place, the disaster recovery site may have to be used for a few days, a few weeks, or even a month.
Physical Comforts

- Make sure the site has the basic human needs such as food rations, water and resting areas as well as bathroom facilities
- Blow up mattresses are excellent for temporary sleeping facilities as they can be stored easily until needed
Physical Comforts

- Do not count on being able to access restaurants in the area.
- Although the disaster recovery site is supposed to be in an area unaffected by the event, it is still possible for employees to arrive after hours or be unable to secure hotel rooms for the first couple of nights—remember the Zombies are after everyone not just your company.
Physical Comforts

- There should be separate eating and sleeping areas if possible if hotel/motel is not available.
- Cooking facilities (camping stove) should be available.
- Stock with canned foods and cooking pots—picnic stuff such as forks and knives.
- Microwave and fridge.
- The site should have lavatory facilities.
- But if not then equipment such as camping toilets and screens need to be provided.
Physical Comforts

- It is also possible that employees may not be able to get back home to pack before heading to the disaster recovery site—Zombies may be in their neighborhood already.
- A clean pair of sweat clothes for each employee should be planned for.
- They can be purchased and kept on site.
- Also need towels and paper products.
Physical Comforts

- Remember planning for a **disaster** not a two hour power outage
- Blankets, medical and sanitary supplies (such as hand wipes and products for female employees) should be kept on site incase local area stores have closed or are otherwise not available

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To be effective when a disaster strikes, disaster recovery plans need to be in effect on a daily basis as well. This includes not just keeping the offsite location up to date and ready but the normal payroll department ready as well.
Effective on a Daily Basis

- Remember, disasters can happen both ways
- Disaster recovery plans have to take into consideration that the event occurred during office hours and that the payroll personnel may not be able to leave
- To cover all scenarios, the payroll department should make sure that they:
Make Sure They Have…

- Back up systems routinely and that a copy of the backup file is sent to any emergency sites that have been established.
- Store primary backup files offsite in a place where they are accessible 24/7 by the payroll personnel and not in a timed vault.
- Have safes that are fireproof and not just “tool resistant”

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Make Sure They Have…

- Keep a file with offsite backups of all forms the department uses such as direct deposit forms or address change forms in case the payroll office sustains damage.
- Cross train the payroll department (all functions and all employees for larger companies).
Establish emergency cabinets inside the payroll office with:

- A flashlight and extra batteries
- A battery operated radio
- Coins for the vending machine if power is still on
- Emergency ration packets
- Battery operated clock
Make Sure They Have…

- One gallon of water for each employee
- A first aid kit in case of leaving the payroll office is not an option
- A blow up mattress and one blanket if there is room to store
- Cell phone charger both electric and battery
Make Sure They Have…

- Have a master list of all voice mail passwords for all employees in the department
- Keep one cell phone charged and operational at all times—use self chargers and keep them charged at all times
- Keep copies of all payroll system and procedure manuals with backup files at the emergency and offsite locations

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Make Sure They Have…

- Have contact numbers on hard copy files (not in the computer) for each key employee and team member
- Test to make sure that computers and back up files can actually be read and restored
- Keep all information and rations up to date

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Methods to Secure Your Data

- Electronic Storage Systems—otherwise known as document management systems
- Outsourced hosting
- CD/DVD
- Media imaging such as microfilm or microfiche
- And of course…Hard copy paper
Tips for Storing Your Secure Data

- Location must be fire, water and natural disaster proof
  - Don’t put in area where an earthquake will occur if you are also in the same area
  - Fireproof not fire resistant filing cabinets or safes
- Data must be organized for easy access when the disaster occurs—indexing is a must
- Each container or file must be clearly labeled
- Keep all data current—replace after each payroll if possible

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Selling the Plan To Management

- Plan should be laid out in writing with justification for each expenditure
- Put in specifics as to suggested location, equipment needed and supplies required
- Make it a formal presentation not in an e-mail
- Suggest a budget with “real” numbers
Setting Up and Meeting Budgets

- Set up a realistic budget including:
  - Location rent
  - Storage rent
  - Equipment costs including internet and phone lines
  - Hotel/motel and personnel travel costs
  - Cost of living expenses for personnel
  - Long term costs to maintain location
  - Short term costs for use
  - Annual budget item not one year only
Questions
How Can Ascentis Help Me?

- Web-based
- Internet payroll system that allows you to process payroll in real-time, ensuring 100% accuracy, flexibility and control
- With live processing and instantaneous auditing
- Ascentis Payroll software can reduce payroll processing time by as much as 30%.
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