



RISK MANAGEMENT BULLETIN

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Disaster Planning for Local Government Finance Departments

Disaster can take many forms, such as natural disasters like tornadoes and floods, both natural or from mechanical failures such as burst water pipes, or widespread disruption of services caused by events such as flu pandemics. Any of these situations threaten a local government's ability to carry on business as usual, including the ability to perform financial functions, including payroll, accounts payables/receivables, and procurement. Although no local government can anticipate every disruption, contingency planning for when they occur is a must. Planning in advance for disasters will enable local governments to continue to perform many necessary functions. As part of the planning process, talk with your vendors. They may already have an emergency replacement program in place. If so, this could be extremely helpful in drafting your own policies and procedures.

Concerning the potential disruption of financial obligations, key staff members should be trained to process payroll from remote locations, whether electronically or manually. Having policies in place for such accommodation is a must. Emergency policies should also encompass purchasing needs. In this regard, maintaining an adequate cash balance in the bank is critically important.

Beyond computers, telephones and standard office equipment, local governments should identify and catalog any specialized equipment in use or available for use. This should include identifying the vendors for such equipment and how to obtain replacements.

For example, if your local government does not use preprinted check stock, employees will need to quickly obtain Magnetic Ink Character Recognition print-toner cartridges.

In Fall 2012, the City of Mullins, South Carolina, suffered an event that would make any municipal employee cringe. City Hall was severely damaged by a fire that occurred in an adjacent apartment building. Although there was no actual fire damage to City Hall, the smoke and water damage was severe enough to force town officials to relocate operations for an entire year. After the fire, the city recognized its immediate need for an Internet connection, server, phones, and other hardware to get their administrative capabilities back up and running. Being displaced for a year, finance staff also needed to find a location for residents to pay their water bills and obtain a postage meter for mailing invoices and payments. Other specialized equipment was needed as well.

City Administrator David Hudspeth, who didn't work for Mullins at the time, believes that contingency planning is the key to quickly bouncing back from a disaster. "Any upfront planning that you can do is good," he says. "Have disaster service providers in place so that you don't have to take a couple of days to figure things out. The quicker you respond, the more you can minimize costs and the negative impact of the disaster," Hudspeth adds.

Creating a comprehensive plan is just the first step, however. It is equally important to distribute the plan to everyone who is or may be involved in the recovery effort and to train them in (and

practice) what will be expected when disaster strikes. This training should include “back-up” employees who may be called into action in the event other personnel cannot respond. It will boost employee confidence if they understand what they are going to be asked to do.

As with all contingency planning, the goal in planning for disasters is to avoid even more unpleasant surprises when government services are impacted.

Examples of Items to Maintain at a Remote Location:

- Adequate check stock
- Security codes and ability to access online business accounts
- Supplies to manually process payroll
- Supplies for emergency purchase orders
- Procedures and supplies for utility billing
- Debt amortization schedules and final copies of debt official statements saved electronically
- Bank account numbers and contacts

If you have questions concerning this Bulletin, please contact Richard A. Furst, Senior Loss Control Manager at 1-800-673-8231.

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