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## Ultimate Test

Faced with power outages, client losses and homeless staff, how  
WithumSmith+Brown overcame Hurricane Sandy

**Isaac M. O'Bannon** • Apr. 30, 2013



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communicating with them?

This is the reality that WithumSmith+Brown faced starting on October 29, 2012, when Superstorm Sandy struck the New Jersey coastline. Combined with a full moon and high tides, the hurricane had joined forces with a powerful winter storm and took aim on the most populated corridor in the United States, washing away homes and businesses, and causing flooding and wind damage for hundreds of miles inland. As many as 8.5 million were left without power for at least a day, while many didn't get it turned back on for weeks.

Nine of WithumSmith+Brown's 14 offices were directly affected by the storm, as well as a majority of its staff and clients who live and do business in the region. After more than six months, the effects are still being felt, but the firm is finally returning to something like normalcy.

Since Katrina struck the Gulf Coast in 2005, many accounting firms have adopted disaster recovery plans, but putting them to the ultimate test is a different matter. How would that plan work under a worst-case scenario like Superstorm Sandy? The senior partners at the firm say they quickly learned what worked and what didn't and they've since taken steps to help prevent some of those issues in the future.

Does your firm have a disaster recovery plan? Has it been tested? Have you talked with other professionals that have gone through a disaster? If the answer is no to any of these questions, you need to read on, because you can learn a lot from the real-life example set by WithumSmith+Brown, as partner James C. Bourke, CPA.CITP.CFF.CGMA, and CEO and Managing Partner William R. Hagaman, Jr. answered some questions about the ordeal.

## Before the Storm

## **Q: When did the partners at Withum first start taking the coming storm**

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### **What steps did the firm take in advance of the storm?**

**Bourke:** Our number one priority was all of our team members and their families. The management committee made a decision in advance of the storm, on Sunday morning October 28, to close our offices on Monday and Tuesday. An email went to all of our staff later that morning from our HR department notifying our staff of the shut-down and to consult with their partner-in-charge for work that they could be doing while at home. We also notified our staff at the office level to synchronize client engagements that were in process so they could be worked on off-site, in the event connectivity to the firm was compromised.

Our partners also reached out to clients to inform them we were closing our offices for 48 hours so that our staff could be home with their families, but that every member of our professional staff were available via cell phone if they were needed.

### **Where were you when the storm hit?**

**Bourke:** I was home. I was scheduled to speak at two conferences that weekend, but chose to cancel my trip to the first conference and my second conference was postponed. I live in a beach town in NJ called Manasquan, and my home is about a half mile inland from the beach. The town was devastated by the storm. The highest high tide rolled down my street, flooding out a majority of the homes, with at least 70 totally destroyed, many of which are still awaiting demolition. Miraculously, my home was virtually untouched.

### **What were the first communications you had with partners/staff during and immediately following the storm?**

**Bourke:** The last email to come from my mailbox was on Monday, October 29<sup>th</sup> at 5:48p. Two hours before the storm made landfall, our power was gone. The



following day, nine of our 14 offices were without power and all state roads were

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## Supporting Staff & the Community

**While there was no physical damage to your offices, how many staff members had significant damage to their homes?**

**Bourke:** Many of our staff sustained some form of physical damage to their homes and three people's homes were totally destroyed. A majority of our staff were without power for about four days, while others in the hardest hit areas, including myself and our managing partner, were without power for over two weeks.

**Did the firm offer assistance to staff/businesses/general community?**

**Bourke:** WS+B subsequently established an Employee Assistance Fund. The fund solicited donations from our staff for our staff. In addition, the firm also put in place a matching program to match the first \$50,000 of contributions made by our staff. To date, the firm has already made distributions to a few of our staff to help with their rebuilding process.

In additional, as mentioned earlier, so many of our staff gave back to the communities where our offices are located. Unlike other firms that have gone through a consolidation process, WS+B believes in being physically located in the communities in and around our clients. Our staff are encouraged to take active roles in their communities and volunteer their time to help non-profit and similar community-based organizations.

**What were the firm's expectations regarding how staff members were to communicate/work/take care of business/etc?**

**Bourke:** Since nothing like this has ever happened in my 26 years at the firm, the initial expectations were the same as any other storm: Take work home, try to be as

productive as possible, communicate with your associates and clients and make up

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We had a fuel shortage with gas stations unable to receive fuel, nor pump gas, leaving many gas stations with lines well over an hour long. Traveling to clients was not even in the picture, with many staff car-pooling with others. Foremost on everyone's mind was teaming together to help those in our communities that were suddenly homeless. Our staff ended up spending days doing nothing but helping in our communities any way that they could. When the office received a call for help to clean out a flooded school or hand out hot meals to those who were suddenly homeless, they jumped. From a management perspective, we supported our staff during this period, as we saw how passionate they were about helping others.

For client and staff communication, since cell service was compromised, we learned quickly the only way to communicate was texting, when it worked. Texting allowed us to keep in touch with our clients and staff.

### **The View from the Managing Partner**

**What were the greatest challenges that Sandy caused from a managing partner perspective?**

**Bill Hagaman, CPA – CEO, Managing Partner:** The greatest challenge was rising above the tremendous emotional reaction our partners and staff were facing in light of the devastation they were experiencing, either personally or through their friends and family. Once we had a sense that our people were safe, we had to immediately think about getting back to being operational as a business, establishing some sort of communication with everyone via their mobile devices or word of mouth. Then finally, as electrical power began to be reconnected and roads were clearing for safe travel, we worked on getting our offices and IT infrastructure back up and running.

**The overall productivity of the firm is your responsibility, how did you balance this business-focus with the unique hardships suddenly faced by many of your**

staff and clients?

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There is much more to the story of how WithumSmith+Brown survived and learned from Superstorm Sandy. Read the full online article to learn how they dealt with clients, the technologies that helped them get by, what they have learned needs to be done better, and the advice Jim Bourke gives to other firms, whether they have a disaster plan or not.

## The Aftermath & Dealing With Clients

**How many business clients sustained physical damage or prolonged power loss that affected their business?**

**Bourke:** Countless numbers of clients sustained physical damage and/or prolonged power loss. Even as of today, we are still finding out about clients that experienced some form of material casualty loss. It is so sad, sitting down with clients to go over their tax returns, watching their eyes tear up as they recount their loss and the struggles that they have had subsequent related to flood insurance and FEMA claims.

**What challenges did they face? Were any of the business entities ultimately dissolved as a direct result?**

**Bourke:** The largest challenge dealt with the claims process. Clients quickly learned that there were significant shortcomings in what they believed were good insurance policies. To this day, many clients are still dealing with insurance companies that have held up on flood insurance payments and access to FEMA funds that have been challenging. In addition, clients are still trying to get a handle on their true losses incurred as a result of this storm, including computation of permanent decrease in value of property attributable to this event.

**What about individual/high-net-worth clients? What unique challenges did they face?**

**Bourke:** High net worth clients were especially challenged, as those with homes

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projections and preparation are stored in the cloud. During Sandy, our staff had access to this information 24/7, so long as they had access to the internet and power.

If it were not for the availability of our applications and data on the cloud, we would have lost significantly more billable time and revenue during our recovery process. We had some offices down for 13 days. If we had servers with data physically located in those offices during that entire time, the financial results would have been tragic. Instead all of our staff, regardless of where they were located, had access to all mission critical information within hours after the storm had passed, if they had power and connectivity.

**Have you made any changes to those technologies since then?**

**Bourke:** The one change we have made has been in the area of communications. All of our planning did not take into consideration a scenario where 25 percent of the cell towers were non-functional. The resulting impact was that staff could not reliably send or receive cell calls or email, nor browse the web. The one thing they could do was text, although sporadically, texts tended to eventually go through.

Post Sandy, we evaluated emergency texting solutions and today we have in place an emergency texting solution whereby we now have a chain of command and process in place to notify staff in the event of an emergency on both the firm and office levels.

## Getting Back to Normal

**How long did it take Withum to fully recover and get back to “business as usual,” or at least close to it?**

**Bourke:** My office in Red Bank, NJ is our firm's primary hub and we were the first office up, about 41 hours after Sandy made landfall. With Red Bank up, were able to have functional email and back-office systems available. Again, they were available if

our satellite offices had power and internet access. By Wednesday evening, seven of

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the storm. It is really hard to describe. There was a huge sense of depression. Walking around my office listening to staff share storm stories with each other and everyone sharing pictures of devastation that they had witnessed. This ended up being one of those events that touched everyone, the young, 22 year old staff level I accountant to the 80+ year old partner- emeritus...everyone had a story to tell and nearly everyone was dealing with tragedy in some way.

## The Takeaway

**What is the overall takeaway from the ordeal?**

**Bourke:** All of the preparation in the world will never prepare you for the physiological impact an event like this will have upon your partners and staff. Be prepared for your staff to physically come back to work after the event, but be understanding as they continue to deal with so many external issues for a long period after.

When it comes to communications, plan for the worst...assume cell towers are out of service. Look into alternative means of communications and getting the word out. Also, management needs to be in constant communication to effectively run the firm. Ensure the firm has a pre-planned means of communication, especially for this group.

In addition, I look back and I am still so impressed by the hard work and efforts made by every member of our internal technology team. Every member of that team went significantly above and beyond to service the firm and all of our staff. I could not be more impressed by their efforts during this time.

**What advice would you give to other firms, both for their own practices and perhaps for their clients?**



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