

Bridging Troubled Waters

By Amy Logan





A horrific hurricane season left many companies located on the Gulf Coast scrambling to find, and pay, their affected employees. For those companies' payroll departments, it was time to sink or swim ...

They chose to swim.

After the destructive paths of Hurricanes Katrina, Rita, and later Wilma left their mark on the Gulf Coast in 2005, millions of people found themselves out of jobs and forced to live far away from their homes. For most, the first thought was to gather the family and get to safety, and the second was how to survive—both physically and financially. To do that, they were going to need their paychecks.

Disasters of any kind require an immediate call to action for businesses large and small, and the hurricanes were no exception. Paychecks needed to be distributed and employees needed to be found and informed about their job status. Some businesses had to shut down for good. Others would reopen as soon as the smoke—and water—cleared.

Assessing the Damages and Providing Aid

For Harrah's Entertainment, a Las Vegas-based gaming company with properties

in the affected Gulf Coast region, there was no choice but to shut down. Martin Armstrong, CPP, Director of Payroll for Harrah's, said his company suffered severe damage to its four casinos located in New Orleans and Lake Charles, La., and Biloxi and Gulfport, Miss. About 8,000 Harrah's employees were also displaced in what is being hailed as the worst hurricane season to hit the United States to date.

But Harrah's responded quickly to the tragedy and came through for many of its employees by making it easier for them to find shelter and provisions to tide them over. And the company did it all with an abbreviated disaster recovery plan in place.

"Everybody always talks about (having a contingency plan), but it's one of those things that, if you never see it, you don't ever have an incentive to practice it once or twice a year," Armstrong said. "It's best to have a game plan of some sort—even if it's an abbreviated one."

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Counting on Command Centers for Payroll

Harrah's Gulfport Shared Services Center, which housed the payroll and accounting departments that supported the Gulf Coast properties, as well as several other properties unaffected by the hurricanes, had to be evacuated. As a result, all payroll functions operated out of Harrah's Memphis, Tenn., office.

"Fortunately, we were scheduled to (integrate the Gulf Coast region's payroll functions into our Memphis Shared Services Center) in January," Armstrong said. "So we did have an advantage, unbeknownst to us, in that we had already gotten some information such as where (employees at those properties affected) had tax liabilities, and how many garnishments they had. Fortunately, we are on the same system—that was a big help."

For Marriott International, many of its affected hotels were temporarily closed, and when reopened were able to stay in business—even if it definitely was not "business as usual." The huge hospitality company manages a number of hotels in the affected Gulf Coast and Florida regions, as well as three badly damaged resorts in Cancun, Mexico, including the Ritz-Carlton.

Because there were rescue workers, victims, and many employees who needed lodging and meals in the weeks and months following the hurricanes, Marriott was able to keep its doors open at its properties in the Gulf Coast. Wilma caused additional damage and Marriott was forced to temporarily close several of its resorts and hotels in Florida and Cancun.

With such widespread damage, Marriott's payroll department was consumed with efforts to keep up with frantic requests for paychecks not received and questions pouring into the human resources crisis hotline center.

"All the paychecks down there (in the hurricane-affected Gulf Coast region) could not be delivered, so we had to re-issue all of them," said Emily Lindsay, CPA, Vice President of Corporate Accounting Services for Marriott International. "We had sent them originally to a crisis center manned by our HR group (near the affected Gulf Coast region), but because of all the confusion and devastation,

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people were not able to come and pick up their checks, so the checks were returned (to Marriott International headquarters in Washington, D.C.).”

Marriott used its headquarter-based crisis management center to gather location information from the employees calling in so it could send overnight packages with their paychecks and pertinent information regarding operations and their future benefits/aid options. The center was located next door to the payroll department for employees’ added convenience.

Lindsay said employees were calling to notify Marriott where to deliver their checks, and Marriott discovered an important trend emerging: When direct deposit was mentioned and explained, the employees were quick to jump on the bandwagon. They had learned the hard way how much more convenient electronic pay could be in times of crisis.

Direct Deposit Gets Surge in Popularity

It didn’t hurt Harrah’s that 90% of its employees in the affected region were already enrolled in direct deposit, Armstrong said.

Since the smaller banks went through the New Orleans Federal Reserve, and New Orleans itself was down, it wasn’t until the ACH files were transferred to the Atlanta Federal Reserve in Georgia that the funds were accessible to those employees with accounts at the smaller banks.

“This has been a great case study for us in disaster recovery, direct deposit, and electronic pay,” Armstrong said. “It has increased our direct deposit, I can tell you that much. We’re more focused than ever to get as many of our employees as possible on some type of electronic payment, whether it is with direct deposit or payroll debit card.”

While the disaster forced some workers to consider enrolling in direct deposit, very few states will allow companies to mandate any electronic deposit or pay method. But the pros outweigh the cons when it comes to electronic pay versus paper paychecks according to Jim Paille, CPP, Vice President of Time+Plus® Payroll Services and member of the American Payroll Association Board of Directors. He said it is times like this most recent series of natural disasters that bring the issue to the front

the ability to issue pay to these people if you cannot get a paper product to them. You can use a debit card system, like FEMA (the Federal Emergency Management Agency) did, but you still can’t mandate direct deposit. So what you do is have a backup debit card system available so you can get people paid.”

Action in the Aftermath

For both Harrah’s and Marriott, locating their employees and finding an immediate command center where they could get back up and running were top priorities.

Both companies placed radio, print, and television ads with regional media and made sure their hotline numbers were clearly visible and prominently displayed. Reassuring employees that measures would be taken to get them their paychecks and any additional funds to tide them over, as well as help place them in new or temporary jobs, took precedence in the days and weeks following Hurricane Katrina. When Hurricane Rita hit, both Harrah’s and Marriott were more prepared, and they had already made significant progress in reaching a majority of their affected employees.

“We already had this set up because of Katrina, so there was no time for them to have to wait for us to establish a hotline or relationships with our vendors to provide them with food, shelter, water, medical supplies—all that’s been set up and we gave (those affected by Hurricane Rita) the same benefits (as those affected by Hurricane Katrina),” Armstrong said. “Now we’re really working hard to place people, from a priority standpoint, in other jobs they have skill sets for. The whole employment community within our company has beefed up their efforts to place people who’ve been affected by the hurricanes first. But all we can do is give them first priority. We really can’t create jobs that don’t already exist.”

Lindsay said while the Marriott hotels in the affected areas had to undergo a major downshift in operations, they were still hosting emergency and rescue crew members as well as insurance adjusters. But many Marriott employees had taken temporary work at other hotels after they were evacuated from their homes and the city itself.



Although the Automated Clearing House (ACH) system set up in the Gulf Coast area was crippled during the week of Hurricane Katrina, Armstrong said most people with direct deposit were able to receive their pay with only a slight delay. For those who banked at small institutions in affected areas like New Orleans, however, the wait was considerably longer.

burner.

While Paille said direct deposit popularity often varies widely by geographic location, any penchant for paper checks is often eclipsed by people’s more pressing need for continuous funds in times of disaster, as was demonstrated by both Harrah’s and Marriott’s employees.

“In disaster mode, the rules go out the window,” he said. “You want to have

“Just finding out who’s working where and making sure their taxes are correct has been very challenging,” Lindsay said. “We’d reopened five hotels in New Orleans (by September 30) and while they were not all the way open, the people who were down there needed a place to stay. They weren’t our usual clientele, but we were still feeding people and cleaning rooms. It was difficult, but we’ve been moving very effectively (toward getting all our employees back to their hotels).”

Testing Critical in Contingency Planning

So now, with such a traumatic hurricane season behind them, will most businesses be planning ahead and working furiously to create and implement a contingency plan as they chalk this up to a lesson learned?

“Realistically, no,” Paille said. “(Employers) want to do something and then they find out how much it’s going to cost. Most people will just wing it from there and hope they can recover (if a disaster ever does strike).”

But while creating and implementing a disaster recovery plan is a step in the right direction, Paille said testing that plan before disaster strikes is critical.

“You need to have a well-thought-out procedure and then you actually need to put it into practice and see if it works,” Paille said. “I’ve had these before where you’ve got it on paper but you’ve never tried it. So you go to try it and it doesn’t work.”

“We’re (Time+Plus®) in the service business, so if we can’t service a client, we’re out of business.”

Prepare for the Worst; Hope for the Best

No matter where a business is located—in or out of a disaster-prone area—no one is 100% safe. Disaster is defined as an occurrence causing widespread destruction and distress; a catastrophe; a grave misfortune. It could be a fire, a massive electrical outage, or even a malfunction of the sprinkler system.

With so many alarming possibilities, businesses should always review their contingency and disaster recovery plans and update accordingly.

Paille said one of the first, and
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HARRAH’S AFTERMATH

BY AMY LOGAN

Even though a majority of its employees did have direct deposit, Harrah’s Entertainment, a Las Vegas-based gaming company with four casinos in the affected region of the Gulf Coast, wanted to ensure all employees received their pay as well as shelter, provisions, and other aid in this time of extreme crisis.

It was no easy effort, said Martin Armstrong, Director of Payroll for Harrah’s, but the long-term results proved vital to the company and its affected employees. Harrah’s broadcast its shelter locations and hotline number on the radio and local television stations, and took out ads in newspapers and local print media in order to get the word out to its affected employees.

“Once we got the word out—I mean everybody wants to know how they can get paid—we got a number of calls; (our evacuated employees) visited the three shelters we’d set up and they definitely got all the benefits,” Armstrong said. “They were able to get to the supplies and food we ordered and some of the other things we had for them. About 80% of the 8,000 employees affected—about 6,400 people—accessed the hotline.”

Harrah’s took many measures to ensure all of its employees had a way to contact them and had a way to receive some form of aid after the hurricanes hit.

- It established a Harrah’s Employee Recovery Fund, which provided emergency and financial assistance with an initial commitment of \$1 million from the Harrah’s Foundation, and an additional \$1.5 million from Harrah’s employees, guests, industry leaders, and community members.

- It opened an Employee Information Center in Lake Charles, LA, to provide displaced employees with financial and benefit assistance, counseling, job-placement assistance, and other immediate recovery needs.
- It continued to pay displaced employees their wages for 90 days, and covered all non-management employees’ medical, dental, and vision care premiums for that same period.
- It gave job placement priority to its displaced employees in open positions at all Harrah’s Entertainment operations.
- Harrah’s supported its military employees by paying the difference between their military pay and regular pay for all those on leave to aid relief efforts.
- A hotline and Web site were established to provide employees with information about the shelters and benefits available post-Hurricanes Katrina and Rita. They advertised the hotline number, in particular, in order to get the word out and locate missing employees. 📞



INFORMATION on how to “Prepare for a Disaster in the Workplace: Your Guide to Disaster Recovery and Contingency Planning” is available from the August/September 2005 edition of PAYTECH magazine. To get yours, visit www.americanpayroll.org/pdfs/pt5h/h1505.pdf.



simplest, things an employer can do is keep a running home- and cell-phone list secure and off the worksite. But he said such a list needs constant updating to ensure that it is current.

“You have to be diligent about it,” he said.

Such a list can help later if employees are ever scattered in an evacuation situation.

Armstrong said Harrah’s conducts a “tabletop review” fairly regularly to strategize disaster recovery.

“That’s really people sitting around

a table and someone orchestrates the whole disaster recovery role saying, ‘Hey, it’s over the weekend and you guys left Friday. On Saturday night there was a big fire and where you worked is no longer there. How are you going to get paid?’

“It’s especially important for people who work in the shared services center because you end up having one central location that pays multiple sites.”

While Marriott International has detailed contingency plans in place for disasters like fire and electronic out-

ages, Lindsay said it is also the staff’s ability to think outside the box, and quickly, that has come in handy.

“Luckily we have a great staff with a lot of longevity, so they’ve been able to be very creative and responsive,” she said. “We’ve gotten a lot of compliments from people, including Mr. Marriott.

“We’ve learned a lot, of course. Our World Trade Center hotel was destroyed on 9/11, but that experience was different because it was a very centralized area. One thing you find is that you can have contingency plans in place, but when you have an emergency like the recent hurricanes you need to be able to expect the unexpected and be nimble enough to generate creative ideas and implement them.”

Get Priorities in Order

Ready or not, disaster will inevitably strike a business in some form or fashion. Preparing for such an eventuality is always a wise idea, no matter how a company goes about it—meticulously well thought-out or with an overall structure that allows for adaptability and creativity.

In the end, what is most important is making sure the payroll continues to function and the business is able to resume “business as usual” in the quickest amount of time.

“In the payroll industry—even if you’re a private company and you’re doing payroll—you’re also in the service industry because you are serving your employees,” Paille said. “If the employees don’t get paid, they aren’t going to come to work.” ☺



APA Network Comes Through for Two Longtime Members



BY AMY LOGAN

Jim Maumus, CPP, was already having a tough time recuperating from several personal issues when Hurricane Katrina made her way to the Gulf Coast, causing the levees to overflow and forcing him and his family to evacuate their New Orleans, La., home.

Maumus, an active member of the American Payroll Association for more than 20 years, can now only laugh at the series of unfortunate events that led him to what he refers to as his “second love” and “ideal” career situation.

But there was nothing ideal about his previous situation. He’d already suffered a tremendous loss in his family and had been in and out of the hospital for unrelated, but just as serious, medical problems. He was surviving on unemployment benefits and he was running out of time—he needed to find a job quickly.

That’s when nature threw him another curve ball and Maumus discovered he still had a sense of humor, even if it was a bit wry.

“I have been through so many personal problems over the last two years and then the hurricane comes—it’s sort of like the Book of Job in the Bible,” he joked.

But the amount of damage and destruction Hurricanes Katrina and Rita wreaked on his family’s home in New Orleans was no joking matter.

“We were totally knocked out,” he said. “Our house was under nine feet of water. We evacuated to Atlanta (Ga.) because my brother-in-law was up there.”

It was after he’d arrived in Atlanta that Maumus decided he’d had enough disaster for one lifetime. He was ready to start over and seek new employment opportunities in Georgia. So he contacted some friends with the APA and got busy networking.

Meanwhile, Jim Paille, CPP, Vice President of Time+Plus® Payroll Services and member of the American Payroll Association Board of Directors, was seeking a Director of Operations and Training at his company’s Atlanta, Ga., headquarters.

When he heard his old colleague Jim Maumus was seeking work, he thought it a happy coincidence. When he later found out what had happened to Maumus and his family, he figured it was more like divine intervention.

“I had been looking for a training person for months,” Paille said. “As soon as I heard (Maumus) was available it was outstanding for him to fall into this. He comes so qualified in payroll that it was perfect.”

Both men chalk up their good fortune in finding each other at such a critical time to the advantage of networking through APA.

“I was elated (when I heard about the job),” Maumus said. “There are a lot of people that I know here—colleagues in the local chapters from the association. I’ve been on the speakers bureau of APA ever since it was founded, so training is my second love.

“I have a very bright future here. I’m definitely proof of what good networking can do for you. That, to me, has probably been the greatest advantage of my long-term relationship with APA—all the wonderful people I’ve met and the opportunities to network. You share information, but you get back so much more than what you share.”

Paille was in absolute agreement. He said the feeling couldn’t be more mutual and he was glad “to have another national (APA) member to welcome into the fold.”

“I’ve known Jim Maumus business-wise for more than 20 years,” Paille said. “Through a disaster over which he had no control, it’s come to be a very positive thing for both of us.” 🍷

MARRIOTT'S AFTERMATH

BY AMY LOGAN

Marriott International had around 3,000 employees affected by Hurricanes Katrina and Rita. In the wake of such disaster, the hospitality company immediately sprang into action and began preparing information and benefits for its affected employees.

Among the measures taken to inform its displaced employees and make sure they were taken care of, Marriott:

- Set up special payroll deductions in which all of its employees could contribute money to disaster relief funds and the American Red Cross through the Marriott Foundation Organization, and donate leave to fellow employees in need.
- Continued to pay Hurricanes Katrina- and Rita-affected employees through the month of September, and benefits through the end of 2005.
- Sent a \$500 check (donated from the Marriott Foundation) to affected employees.
- Accepted financial donations to the Marriott & Ritz-Carlton Disaster Relief Fund, which was established to

help Marriott associates and Ritz-Carlton employees who have been severely affected by extreme disasters, such as Hurricanes Katrina, Rita, and Wilma.

- Advertised the hotline number established for victims in radio and newspaper media.
- Established special pay methods for check-cashing.
- Arranged for free accommodations for groups of four—the affected employee and three family members—at Marriott hotels. 🏠

