From CFO | Daily News:

CFO & CONTROLLER Alert

The most current information on how financial professionals can increase cash flow & control costs.

September 11, 2020

KEY FINANCE FIGURES

	Curr*	Lst Mo	Lst Yr
Leading Rates %			
Prime Rate	3.25	3.25	5.25
Fed Funds Rate	0.25	0.25	2.25
Money Market Rates %			
London Interbank (LIBOR)			
1 month	0.16	0.18	2.17
3 months	0.25	0.26	2.15
6 months	0.32	0.34	2.02
Stock & Bond Indexes			
DJIA	28,308	26,470	25,899
S&P 500	3,431	3,216	2,878
NASDAQ	11,380	10,363	7,854
5-Yr T-Bill	0.27	0.27	1.40
10-Yr T-Bill	0.64	0.59	1.52
NACM Credit Managers' Index			
Sales	64.3	54.1	58.4
New credit apps	62.4	57.9	60.8
Dollar collections	62.5	53.9	56.6

*As of 8/24/20

The latest COVID casualty: Your firm's biz insurance

■ *Premiums poised to rise 10%-30%*

Imagine all the years your company has been paying for insurance coverage, only to find out that when you most need it you aren't covered!

That's exactly the predicament many of your peers are finding themselves in right now.

The COVID-19 pandemic has left many small and mid-sized businesses twisting in the wind with no assist from their insurance carriers.

So says Andrea Luoni, CEO and Founder of RateCraft.

Worse: You're about to pay even *more* for that coverage that isn't keeping you covered.

Luoni recently identified three areas all organizations will want to look at on the insurance front for the current crisis and beyond.

Here's how you don't get caught short.

1. Look at your existing coverage

Bad news first: Your company likely doesn't have any coverage for the financial loss from COVID-19 in your main plan.

No coverage exists under most insurance policies. The reason: Since there's no physical damage, there's no

(Please see ***Insurance …*** *on Page 2)*

Report: Fraud taking 14 months to find

■ *The average financial toll: $116,200 per incident*

"Time is money" never rings more true than when you're talking about fraud.

The more time it takes to uncover a fraud, the more it's costing your company.

That reminder comes straight from the Association of Certified Fraud Examiners (ACFE) in its most recent *Report to the Nations*.

Not all frauds found even this fast

So how long is it taking to sniff out the financial funny business these days?

An average of 14 months, says the ACFE, to the tune of $116,200.

Manage to find the fraud in less than six months, you're only set to lose $50,000. Conversely, a five-year-plus scam sets companies back on average $740,000.

And some types of fraud take longer to catch than others. While non-cash theft tends to be detected fastest, payroll fraud and check tampering take your peers the longest – an average of 24 months.

Info: *You can download the* Report to the Nations *at acfe.com/report-to-the-nations/2020*

Insurance ...

(continued from Page 1)

trigger, asserts Luoni. Though that doesn't mean your peers aren't trying to fight it.

There are many lawsuits in the works against insurance carriers right now, but so far no one is having much success.

Fortunately, that might not be your only option.

Luoni points out that coverage may exist on other policies such as workers compensation, employment practices and/or liability – depending on the claims and state.

Your insurance agency may have some COVID-specific info on its website, so it's worth checking there for a start.

There are also other things your company can do to bring costs down, according to Luoni. That includes deferring payments or reclassifying workers compensation class codes for those employees not performing their normal jobs at the present time.

2. Look for new coverage restrictions

The only thing worse than a gray area on whether or not you're covered? A concrete answer that you are not.

That's happening with increasing regularity post-pandemic, warns Luoni.

She's finding that policies have started to include new language specific to exclude a virus, bacteria or pandemic.

That's something you want to look for at renewal time, or if you're shopping for a new carrier.

Of course any time your company changes terms, it must notify you. But Luoni reminds it's easy to miss it in the crush of paperwork they send.

3. Fight back against premium hikes

One place you can't wait for renewal time for: premium increases.

Luoni is seeing premium jumps – even for companies without a spike in losses – between 10% and 30%. But she's also seen hikes as high as 100%.

And they're being sprung on companies with only a week before renewal, giving them little time to do anything but accept it.

You don't have to end up in that same boat.

Luoni encourages organizations to remember the 80/20 rule: Only 20% of insurance agents are really great at their jobs, and most make a higher commission the higher your premiums go. So they're not necessarily looking out for your company's best interests.

Do your homework here – you want to market your company's account. But before you put it out for competitive bids it's best to know what your insurance should cost based on the best carriers.

***Info:** For more information, please visit ratecraft.com*

From CFO | Daily News:

CFO & CONTROLLER Alert

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Sharpen your JUDGMENT

This feature provides a framework for decision making that helps keep you and your company out of trouble. It describes a recent legal conflict and lets you judge the outcome.

Restructuring excludes older worker: Age discrimination?

First thing in the morning, CEO Matt Michaels walked into CFO Bill Keeper's office. "Hi, Bill. Remember Joe Johnson?"

"Sure, one of the marketing managers we had to let go during restructuring," said Bill.

Matt nodded. "He's suing us for age discrimination."

Better qualified

"What? He was only let go because his department – which handled 18% of the company's marketing budget – merged with another one," Bill said. "We didn't need two people doing one job."

"Yes, I agree. The manager from the other department was better qualified," said Matt.

"We wrote up a very detailed comparison of the two of them, including their experience and performance reviews. It included their ages and genders as well.

"The other manager had more industry experience, consistently made higher numbers than Joe in her department and her recent performance reviews were glowing. That's why we picked her," said Bill.

Joe filed his suit under the Age Discrimination in Employment Act (ADEA), and the company fought to get the case dismissed.

Did Bill's company win?

Make your decision, then please turn to Page 6 for the court's ruling.

Firms rate their health insurers for value, costs: How did yours fare?

■ *Most got a so-so grade on helping employers save money*

Are you satisfied with your health insurer? Well, it seems most firms aren't. When asked to grade them – from A to F – most gave their insurers a C, says a recent survey.

Healthcare watchdog Leapfrog asked firms to rate Aetna, Cigna, UnitedHealthCare (UHC) and Blue Cross Blue Shield (BCBS).

Insurers were rated on responsiveness, value, transparency (in choosing the best providers) and payment reform initiatives, such as bundled payments, direct contracting and value-based purchasing.

FOR MORE ...

For Leapfrog's complete employer survey findings, download the PDF at *leapfroggroup.org/employers-purchasers/employer-survey-health-plan-value*

Unnecessary costs

Overall, Cigna got the highest marks on value. Aetna had the highest scores for quality of care. UHC had the lowest rating overall, with the most room for improvement in reducing costs and improving quality.

When employers were asked if they strongly agree that their health insurer made reducing unnecessary costs a priority, here's how they responded:

- 58% of Cigna-insured firms said yes
- 50% of Aetna
- 47% of BCBS, and
- 43% of UHC.

Leapfrog sums it up quite succinctly this way for firms: Demand more results for your investment. After all, you're paying the bills.

Adapted from "Below C-level: Employers rate the quality of health plans," at benefitspro.com

Ready or not, here come the COVID lawsuits

■ *Pandemic-based claims jumped significantly in June*

You knew it was only a matter of time! U.S. firms are now staring down the potentially expensive prospect of an employee lawsuit due to the coronavirus pandemic.

Employers in all but nine states have been hit by a COVID-19-related legal complaint.

That's the word from the COVID-19 Employment Litigation Tracker by legal eagles Fisher Phillips.

Nothing will drain your cash faster than a costly, prolonged legal claim.

The top 5 legal exposures today

And things are only gaining steam. In June the number of COVID-related lawsuits jumped by 43%.

Worse? There are so many fronts you may face claims on.

These are the top five complaints now. Make sure your company is doing all it can to limit exposure on these fronts with the proper paper trail supporting your actions:

1. discrimination/retaliation
2. work-from-home
3. employee leave
4. unsafe working conditions, then
5. wage and hour violations.

Info: *You can check out the COVID-19 litigation tracker at fisherphillips.com/covid-19-litigation*

ECONOMIC OUTLOOK

■ 'Wait-and-see' approach dominating CFO decisions

If you're hesitant to make decisions impacting your business for the long haul, you're in good company.

The majority of CFOs are struggling to make those strategic calls right about now.

That's the takeaway from the second quarter Quarterly Priorities Survey by Financial Executives International.

Behind it? A decrease in working capital coupled with a can't-shake uncertainty about the economy.

However, your peers are growing more optimistic in certain specific parts of the economy.

3 different economic outlooks

While financial execs remain relatively underwhelmed by the state of the U.S. economy as a whole, they are increasingly optimistic about:

- their industry's economy, and
- their own local economy.

Encouraging signs for sure.

A new scenario to add to the mix

One FEI survey respondent also offered a new way he's forecasting for 2021 that you might consider for your own organization:

- If there's a COVID-19 vaccine by the end of the fourth quarter of 2020, which could put forecasts at what was expected originally for 2020, and
- If there isn't one widely available, the first quarter of 2021 will be more of the same.

(You'll find complete results at financialexecutives.org/Research/News/2020/Quarterly-Priorities-Survey-Q2-2020.aspx)

Finally! Employees are ready and willing to use split deposits

■ *The time is now for a renewed push for this savings strategy*

It can be tough to find the silver linings these days, with so many people struggling financially and worried about their future, due to the pandemic.

The good news? Your Payroll department can help employees feel more financially secure – with a little help from technology.

62% willing to save more

A new survey by DailyPay and the Funding Our Future coalition offers a grim reality check along with a sliver of hope:

- 65% of folks have no savings account
- 57% have had to dip into savings during the crisis
- 40% are having trouble paying their bills, while
- 62% could save more if it was easier to set aside a portion of their paycheck.

In fact, over half of the respondents said they're more likely to save for the future after the global health crisis passes.

Making it personal

That's where Payroll comes in. It's so much easier to set aside a portion of savings through split deposit.

Now would be a great time to remind employees of this option. It might even incentivize some holdouts to sign on for direct deposit.

One idea to really hammer the message home: Ask employees who already split deposits for a list of what they did with the money they saved.

Sharing that list (anonymously if preferred) can offer concrete, hard-to-refute benefits right from their peers.

***Info:** For full survey results, go to dailypay.com/funding-our-future*

CFOs start counting COVID's security costs

■ *Decisions made under pressure resulted in expensive data leaks*

Working from home seems totally normal now to many, nearly six months after COVID-19 exploded.

It's easy to forget how hectic that migration was for folks who deploy – and pay for – the tech we've all relied on to be productive ever since.

And workers may have gotten too comfortable with the "new abnormal," forgetting how expensive lax data security is.

Now, CFOs are starting to add up the bill and it's not pretty.

Cybersecurity firm Malwarebytes reports 24% of firms surveyed reported unexpected costs due to a cyberbreach or malware attack since the evacuation, most directly related to remote work.

'Oblivious' to security practices

One of the scariest parts of the report: Firms say employees still haven't made cybersecurity a priority and some remain "oblivious" to security best practices.

What's done is done. Now's the time to take steps to head off potentially massive cyberattack costs going forward. Must dos? Beef up and enforce strict remote security policies and put security at the center of your permanent work-from-home strategy.

Info: *tinyurl.com/techvirus588*

MANAGING FOR RESULTS

■ Long-distance leadership: Training a remote team

Who better to know how to train a remote team than someone who's been immersed in the virtual business world for years?

Josh Davis teaches virtual leadership classes at Mentora Institute, which helps firms develop great leaders and teams.

Setting up your team for success

According to Davis, there's already a model for remote training: It's the flight simulator used to train astronauts and pilots.

In the business world, think of how you can train each member of your team as if they're sitting in a cockpit, and you're helping them each develop their own finance expertise. Here's how:

- **Give them plenty of learning opportunities:** How do you teach anyone to master certain finance skills? Practice, practice, practice. Give each team member numerous mini opportunities to practice the same task, then give them immediate feedback.
- **Keep adding more responsibilities:** To build a strong team, add more complexity each time one of your finance staffers masters a critical budget process, for example. This should be personalized, based on their progress.
- **Focus on shared goals:** When your team is huddled together on, say, a Teams meeting, ensure all members have a voice. Your team will come to value the individual contributions of all members to the whole.

(Adapted from "I've been teaching leadership virtually for 8 years. Here's why it's so effective," at fastcompany.com)

Our subscribers come from a broad range of companies, both large and small. In this regular feature, three of them share success stories you can adapt to your unique situation.

REAL PROBLEMS REAL SOLUTIONS

1 'Remotians' eased work-from-home shift

As the lines between at-work and at-home lives blurred during the pandemic, we've followed these three steps since the beginning: Plan for the transition, safely re-engage with our teams and progress with purpose.

As the situation evolved, we've updated our plan to accommodate employees.

Our "Remotians" business resource group (our remote employees) is making itself available via office hours to provide expertise for our colleagues who are navigating working from home for the first time.

Offered virtual check-ins

In addition, senior leaders have been conducting virtual check-ins with their teams more regularly to ensure all is well.

Employee engagement is more important than ever and the emotional impact of this pandemic can't be overlooked.

We've broadened our reimbursement policy to include wellness apps and home office equipment. And we continue to explore ways to enhance our mental health benefits and engagement programs to address this new reality.

We've encouraged employees to share best practices for working remotely and lean on each other's experiences so we can all come together as one company – even if that can't be in person yet.

(Naveen Bhateja, EVP, Chief People Officer, Medidata, a Dassault Systèmes company, New York City)

2 How we keep bolstering A/P's skillsets

Building a great team is essential to the success of an A/P function. But once that team is in place, we can't forget to nourish it.

To retain and attract good people, development and progression needed to be continuous.

Developing skills, trying new courses

To do that, we decided to focus on nurturing certain skills for A/P, like:

- presentation skills to get more comfortable speaking with groups
- customer service skills, since every interaction internally or externally is with a customer, and
- communication skills to build confidence and talk eloquently.

We're also constantly trying new programs and courses, such as:

- bringing new finance tasks to A/P (e.g., cashbook reconciliation and managing direct debits)
- work shadowing with other areas of the finance function
- personal development plans with tailored tasks (e.g., creating process documentation, developing and delivering training), and
- system developments (if systems are being changed or upgraded, team members can be intensive testers to better understand systems and be involved in improvements).

With these various skills courses and programs, our team keeps learning, so A/P keeps getting better.

(Samantha Ryan, A/P Specialist, IPL Ltd., West Yorkshire, UK)

3 Old standby helps combat new fraud threat

During the global crisis while companies were distracted trying to get staff set up to work online, cybercriminals were using the opportunity to attempt fraud.

Luckily, we haven't seen a major spike in attempts during the health crisis, but that's likely due to our proactive steps in fraud prevention.

We would occasionally get a fraud attempt here and there, so we decided then that it was something to watch out for as we made the transition to working at home and splitting schedules.

Fraudsters are up to their old tricks with attempts at duplicating checks, which is easy to miss. So it is important to keep an eye on any activity that could slip through the cracks.

Enter Positive Pay

To help us monitor, we decided to look to the past: a tried-and-true positive pay system for our A/P and Payroll departments.

While it's an older technology, it does still catch problems the human eye could miss.

It tracks our payment info and if there are any duplicates found, we're notified and we can decide if the payment is fraudulent or not.

Using this old-school method really helps us stay in control of what's coming and going and saves time for our A/P and Payroll teams.

Now we're sure that every check and payment is valid and we don't have to manually monitor for fraud.

(Mike Lewis, Controller, Millman Lumber Co., Inc., St. Louis, MO)

TRENDS AND OPPORTUNITIES

The critical control the vast majority of companies are skipping ... could it leave you exposed?

■ *Few of your peers applying the Principle of Least Privilege*

The concept couldn't be simpler: The fewer people able to access a given bit of information, the less likely it is to be abused.

Unfortunately, for a variety of reasons, few of your peers are tapping the Principle of Least Privilege when it comes to access to company data.

But no one can afford not to.

2 best practices

If you're not currently employing this control, you'll want to meet with IT pronto to discuss these two best practices:

1. **Make the least privilege model your default** for all accounts.

2. **Elevate privileges situationally and for a limited time only.** You can grant one-time use permissions to offer needed access while still maintaining your controls.

Info: *securityboulevard.com/2020/05/5-advantages-of-the-principle-of-least-privilege*

TOO MANY EYES IN TOO MANY PLACES

Source: *Strategic Treasurer's 2020 Treasury Fraud & Controls Survey Infographic*

This practice should apply to all sensitive company systems, both inside and outside of Finance. Not only does it prevent fraud, but it can minimize the risk of even innocent (but still costly) mistakes that increase the more folks can access a system.

Sharpen your judgment… THE DECISION

(please see case on Page 2)

Yes. The company won when a court said it didn't discriminate against the employee under the Age Discrimination in Employment Act (ADEA).

The employee's attorney said that including the two managers' ages in the comparison process was proof of the company's age bias. The company only compared experience and performance to cover up its real motive: age discrimination, the attorney said.

But the court disagreed. Merely including an employee's age, even for comparison, doesn't establish age bias. The court further explained that the firm provided enough "business-related" reasons for termination. The comparison document supported the claim that the other employee had more extensive experience and higher performance ratings. In conclusion, the firm did not show age discrimination.

Analysis: Document the precise eligibility factors

This case shows how vital it is for companies to keep accurate records, particularly during layoffs.

Processes like restructuring that entail layoffs or shifts in job responsibilities are a breeding ground for these types of claims. To prevent claims of age discrimination during a layoff of two or more employees, employers must document precise eligibility factors and allow laid-off employees 45 days to review a severance agreement.

Cite: Zabala-De Jesus, et al v. Sanofi-Aventis Puerto Rico, Inc. et al, *U.S. Crt. of App. 1st Circ., No. 18-1852, 5/13/20. Dramatized for effect.*

Experts give their solutions to difficult workplace problems

Finance professionals like you face new questions every day on how to deal with everything from accounting and tax regulations to management and employment law issues. In this section, experts answer those real-life questions.

Unauthorized overtime: Do we have to pay?

Q: Some of our employees are really doing well working at home – but recently we've had a few teams taking more hours than they're authorized to work.

Are we responsible for paying overtime to those employees – even though we didn't tell them to work overtime?

A: According to the Department of Labor's COVID-19 and the Fair Labor Standards Act Questions and Answers page (*dol.gov/agencies/whd/flsa/pandemic*), the short answer is "yes."

Work performed away from the primary worksite is treated the same as work performed at the primary worksite for the purposes of compensability.

So employers have to pay employees for all hours – even if it's overtime.

However, if you have reason to believe that work was not actually completed during those hours of overtime you aren't on the hook to pay.

Keep yourself safe from any time discrepancies by making sure you have a reasonable time-reporting procedure for all staff.

'Advice shopping' for compliance guidance

Q: Our CEO often pushes our compliance team to get third or even fourth opinions on a tricky compliance issue. Any advice we can share with him to help us control our legal spend?

A: It's natural – but dangerous – to look for advice that matches what you already think or hope to hear, reports Regulatory Compliance Watch (*privatefundscfo.com/hiring-outside-counsel-neednt-cost-earth*).

Asking multiple lawyers is an expensive mistake

A second opinion might make sense for a particularly nuanced question, but asking (and paying) multiple lawyers to answer the same question because the first few opinions aren't what you want is an expensive mistake.

If two qualified compliance attorneys agree on a topic, you probably shouldn't rely on a third, contrary, opinion just because you like that answer.

You'll likely end up paying for more than just another legal bill.

If you have a question you'd like our experts to answer, email it to Jennifer Azara at jazara@cfodailynews.com

COMMUNICATION KEYS

Virtual open enrollment: Making your message heard

No denying open enrollment will look very different this year for many companies ... just when benefits matter more than ever to employees!

To make sure your messages aren't too much to digest virtually, break them into bite-sized chunks and start sharing them now.

The best medium? Many of your peers feel short videos are an effective way to do that. Just make sure to mix up the messenger to keep people clicking.

The maximum number of lines for your emails

When writing anything that will be read on screen, whether an email or an online document, set yourself this limit: Keep all paragraphs no longer than seven lines (lines, not sentences).

Any longer than that and studies show readers just see a big block of text and will skip over it.

Info: *instructionalsolutions.com/blog/business-writing-tips*

Decision 2020: One definite non-winner

Well you might not have to tell employees to take their campaign stickers off their cubicles this year, but there's a new issue you may have to address with staffers:

Political shirts on Zoom calls.

Or signs in the background of their calls.

Yes, folks are in their homes and things are a bit more casual, but you still want to keep political views out of the "workplace."

Recent developments that can help your business stay ahead

No tax credits yet? IRS may be sending you mail

Did your company file Form 7200 but has yet to receive an advance payment of tax credits?

You may be getting a letter from IRS instead. If your form has been rejected or the requested credits were adjusted by the Taxman, an employer will receive Letter 6312.

The letter will explain the reason for the rejection or, if IRS adjusted the amount, the new payment amount will be listed on the letter.

Another scenario that'll get you a Letter 6312: When IRS needs written verification of a taxpayer's address before processing the form.

Info: *irs.gov/newsroom/irs-is-sending-letters-to-those-experiencing-a-delay-with-advance-payment-of-employer-credits*

States with most safety-related COVID complaints

As of mid-July, OSHA received more than 6,800 coronavirus-related complaints. And some states are faring worse than others.

Is yours a hotbed of liability? Probably, if you're located in the middle of the U.S.

OSHA Region 5 – Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin – has had the most complaints at 1,552.

Info: *nexsenpruet.com/insights/who-is-filing-coronavirus-related-osha-complaints*

Internal Audit putting brakes on AI plans

The wind has been taken out of your peers' sails when it comes to digital transformation in the internal audit function. So confirms a new survey by Protiviti.

The number of internal audit departments planning to undertake digital transformation initiatives fell to 60%, down from 76% a year ago. Currently just 7% of those polled are implementing machine learning and AI updates.

And for once the coronavirus isn't to blame. The survey was conducted in Q1, but findings were just released.

Info: *Download the full survey results at tinyurl.com/internalauditAIsurvey*

This is a key supply chain survival strategy now

To keep your supply chain on track during this unprecedented time, follow the lead of your peers:

Nearly three-quarters (71%) of firms said optimizing their indirect materials management has been critical during the pandemic.

That's according to Verusen's 2020 *State of Supply Chain Inventory Management* report.

Info: *verusen.com/2020-state-of-supply-chain-inventory-management-report*

Lighter side: Cloudy with a chance of chocolate

Your company has likely recently checked its ventilation system to make sure it's safe in light of the coronavirus.

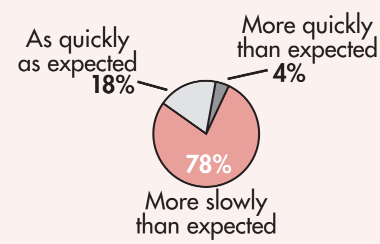
But you probably didn't check to makes sure it doesn't spew chocolate.

This Swiss candy factory sure should have! A recent malfunction in Lindt & Spruengli's ventilation system caused snow-like cocoa powder to sprinkle down on the surrounding area.

No one was hurt, but there may soon be a spike in cavities.

MEASURE UP

How is the pace of business travel resuming since the COVID-19 pandemic?



Source: *A recent survey conducted by the Global Business Travel Association*

You might want to manage expectations on the business travel front – 39% of your peers think things won't return to normal within three years, even with a vaccine.

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"[With *CFO & Controller Alert*'s quick-read format] I can read and determine if it's applicable to my company."

Erica Rahn
Controller
Foss Manufacturing Co.

"News You Can Act On is most helpful to me."

Max Von Heel
President
North Country Media Group

The Purpose of *CFO & Controller Alert*

CFO & Controller Alert is a fast-read resource to help busy financial executives boost cash flow, control expenses, manage their resources effectively and stay in compliance with ever-changing regulations.

Each issue presents real-world examples of what worked and what didn't for CFOs and Controllers in a wide variety of industries – all in a concise format that saves you time.

Depend on this publication for the winning ideas you can put to work today to help your company manage growth.