From CFO Daily News Powered by SuccessFuel

CFO & CONTROLLER Alert

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

November 9, 2020

KEY FINANCE FIGURES

	Curr*	Lst Mo	Lst Yr
Leading Rates %			
Prime Rate	3.25	3.25	5.00
Fed Funds Rate	0.25	0.25	2.00
Money Market Rates %			
London Interbank (LIBOR)			
1 month	0.15	0.15	1.79
3 months	0.22	0.23	1.93
6 months	0.25	0.27	1.93
Stock & Bond Indexes			
DJIA	27,685	27,174	27,091
S&P 500	3,401	3,298	3,039
NASDAQ	11,359	10,914	8,326
5-Yr T-Bill	0.35	0.26	1.62
10-Yr T-Bill	0.81	0.66	1.80
NACM Credit Managers' Index			
Sales	65.5	65.8	58.7
New credit apps	63.6	63.4	59.7
Dollar collections	63.3	61.2	58.5

*As of 10/26/20

What employees aren't doing that's costing you

■ *Neglecting health screenings proves very expensive*

An apple a day will no longer cut it. To keep serious health issues – and the costs that go with them – at bay, preventative medicine is a must.

Especially when it comes to chronic conditions.

One in three employees have them, raising your company's costs in everything from healthcare premiums, to absenteeism and lost productivity to disability costs.

Unfortunately, many folks have been back-burnering these critical screenings and routine care during the COVID-19 pandemic as they want to avoid medical facilities.

But that's having costly consequences. A new report by the Integrated Benefits Institute (IBI) focuses specifically on disability payments employers are saddled with due to chronic conditions.

And the findings will have you stepping up your pushes for preventative care.

The greatest potential to save is here

Yes, you want to encourage all employees to do their preventative checkups and screenings.

Realistically, you might not

*(Please see **Costing you …** on Page 2)*

SSA taxable wage base increases for 2021

■ *Here's the key number Payroll needs for the new year*

It's starting! The first of Finance's mission-critical year-end updates has arrived.

This year, the taxable wage base comes in first. The Social Security Administration just released 2021's number.

And it's a good-sized jump.

For 2021, the taxable wage base will sit at $142,800. That's a $5,100 increase over this year's base.

A maximum of $8,853

To break that down for budgeting purposes, the maximum amount you as employer will pay per employee is $8,853.60 in 2021. (That's about $316 more than in 2020.)

This will be an unprecedented year-end for your Payroll team, with all the changes spurred by the coronavirus pandemic and subsequent stimulus offerings.

So making sure Payroll has this info right away will let them tick off one important thing off their year-end to-do list.

Info: *To read SSA's announcement, go to ssa.gov/news/press/releases/2020/#10-2020-1*

Costing you …

(continued from Page 1)

be able to do a full-court press for *every* chronic condition out there.

And not all conditions are equal, when it comes to how much they'll cost you in disability costs depending on how quickly they're caught.

The IBI report breaks it down for you so you know where to really focus your company's efforts to minimize the financial toll these conditions take.

Check out what different types of disability leaves will cost you per incidence, depending on whether it's caught early or later:

- **Hypertension:** $6,019 cost difference ($5,582 for less severe cases vs. $11,601 for more severe ones)
- **Depression:** $4,622 cost difference ($9,625 for less severe cases compared to $14,247 for more severe ones)
- **Obesity:** $1,080 cost difference ($2,379 for less severe cases vs. $3,459 for more severe ones)
- **Diabetes:** $388 cost difference ($9,132 in less severe instances compared to $9,520 for more severe cases).

Add those up per employee and you'll quickly see just how much chronic conditions cost employers … and how much you stand to save by ensuring folks get screened regularly.

Focus your company's efforts to minimize the financial toll.

Your best strategies

So how can you ensure that happens? The IBI report made some suggestions you might embrace in your own organization:

Identify high-risk employees for priority preventative screenings. A review of healthcare and disability claims can help you prioritize which employee groups would benefit most from which screening programs.

And don't forget co-morbidities, like obesity, that could lead you to push other screenings for conditions like diabetes and colorectal cancer.

Stress the next steps. Encouraging employees to get checked is one thing; ensuring they understand what they need to do next, as far as follow-up, treatment, etc., is just as vital.

Keep communications positive. Scare tactics don't work, says the IBI. Instead try promoting health screenings as a form of "self care," which is something everyone can appreciate during these trying times.

Info: *You can download the report at ibiweb.org/closing-the-gap-on-preventive-care*

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.

■ 'Getting up there in years': Is firm guilty of age bias?

HR Director Wendy Mills stepped into CFO Bill Keeper's office. "Hi, Bill. I know we need to talk about John Ferguson's lawsuit. Tell me what's going on."

"Yes, he's suing us for age discrimination. It's a shame we had to fire him because he'd been with us for 41 years," said Bill.

Eliminated his position

Wendy nodded. "Yes, but we eliminated his position. John's new supervisor started noticing that John wasn't technologically advanced enough to do the job anymore."

"I understand, but now he's claiming his much younger supervisor made discriminatory comments to him about his age – things like 'you're kind of getting up their in years.' Do you know about this?" asked Bill.

"His supervisor denies making any such comments. But, Bill, we have a track record of hiring older employees. That should count for something in court," said Wendy.

"Yes, it should, but John also claims he failed to get his annual performance review when the new supervisor came on board, as stated in our handbook. That's something that shouldn't have happened," said Bill.

Bill's company fought to get the case dismissed. Did it win?

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

Report: 49 'wasteful' prescription drugs (and cheaper alternatives)

■ *New brief identifies medications firms need to drop from their formularies*

A coalition of West Coast firms has done the legwork. Now other firms can benefit from their new report that identifies costly meds that can be replaced with cheaper choices already on the market.

Drug alternatives

Firms can cut drug costs by replacing 49 medications with cheaper alternatives, as identified in Pacific Business Group on Health's (PBGH's) new report, "Reducing Wasteful Spending in Employers' Pharmacy Benefit Plans." Here are some "wasteful" drugs that your peers have replaced with cheaper pills:

- **Metformin** (1,000 mg), a diabetes drug costing $352 per prescription. *Alternative:* two 500 mg pills, costing less than $13.
- **Treximet,** a migraine drug costing $219 per prescription. *Alternative:* pills containing equivalent ingredients, costing about $7.
- **Gleevec,** a leukemia drug. *Alternative:* the generic imatinib cuts the cost by 96% (or $108.28 per pill).

Other top "wasteful" drugs include Lumigan (glaucoma), Duexis (arthritis), Auvi-Q (allergic reactions) and Jublia (toenail fungus).

Employers might consider engaging a clinician to contact prescribers and discuss alternatives, suggests the PBGH.

Adapted in part from "Cutting 'wasteful drugs' could save employers $6 billion," at benefitspro.com

FOR MORE ...

To download the report, go to *commonwealthfund.org/publications/issue-briefs/2019/aug/reducing-wasteful-spending-employers-pharmacy-benefit-plans*

Sales tax tracking even more challenging

■ *2020 a big year for rate changes on the city, local level*

Both your A/R and A/P teams will want to pay extra attention to city and district-level sales taxes on the invoices you send out and the invoices you process.

The ground is constantly shifting underneath you. Especially this year.

Sales tax rate changes are poised to hit the second highest total in more than 10 years (only behind 2017).

That's the word from sales tax experts at Vertex, Inc., who have been tracking the data for years.

Only the beginning

Don't remember any states changing their rates in 2020? That's because they didn't. Everything's taking place on the city and district levels.

And don't expect this trend to ease up anytime soon. Local governments have taken massive revenue hits during the COVID-19 crisis that are expected to last through fiscal year 2022.

Which means now's a good time to make sure you have a system for staying on top of these smaller, easier-to-miss changes and that all invoices accurately reflect them.

Info: *To read Vertex's full findings, go to vertexinc.com/company/news/vertex-details-trends-around-sales-tax-and-recent-spike-local-tax-rates*

ECONOMIC OUTLOOK

■ Holiday spending in 2020: A tale of 2 consumers?

It's the final push of the year and a critical gauge of our economic health: the holiday shopping season.

No surprise, that too will be impacted by the coronavirus pandemic. Uncertainty continues to linger with some critical question marks: the fate of a second round of stimulus? the winners on Election Day?

And all of that will feed into how often folks will go to the malls (or hit their keyboards) and how much they'll spend while they're there.

Can go one of two ways

The National Retail Federation (NRF) has already classified this as a "singular shopping season" due to the unprecedented circumstances. In fact, the industry expert said they still don't know what'll happen in Holiday 2020.

The folks at Deloitte were willing to put their flag in the sand … sort of.

They're offering two possible scenarios. The first has us seeing a 1%-1.5% increase in holiday retail sales. Far short of the 4.1% boost we saw in 2019, but understandable given the current circumstances.

But Deloitte offers an alternative that could give the economy a bigger shot in the arm at the 11th hour.

The consulting firm says we could see a 2.5%-3.5% boost driven by wealthier consumers who are feeling more confident and want to pump their money into more gifts, since luxury travel isn't an option now.

(For the NRF forecast, go to nrf.com/blog/through-retail-lens-hiring-holidays; for Deloitte's click www2.deloitte.com/us/en/insights/industry/retail-distribution/holiday-retail-sales-consumer-survey.html)

Is it time to ditch passwords in your organization? A case for it

■ *Greater savings and security there for the taking when 12345 disappears*

Passwords: Employees forget them, they stick them on Post-Its, they use the same ones over and over, etc.

And it's not just employees themselves who are impacted. Turns out IT spends on average six hours each week managing user passwords.

Then again, you can just ditch passwords all together!

Some of your peers are shifting to passwordless authentication for their IT infrastructure.

Here's what that looks like.

3 routes to get you there

LastPost's recent report "From Passwords to Passwordless" laid out three different routes you can go with this technology:

- **Biometric authentication.** Employees use their faces or fingerprints to securely sign in.
- **Single sign-on (SSO).** One set of credentials will let employees access everything.
- **Federated identity.** Using your existing IT ecosystem and user directory login details, employees would use a single code to unlock and access all their work.

Of course, none of these come without a financial investment to get up and running. But the benefits cited are compelling:

- greater security (69%)
- eliminating password-related risk (58%)
- time savings (54%), and
- cost savings (48%).

It's worth starting the conversation with IT about the viability of this solution in your own organization.

***Info:** You can download the report at lastpass.com/solutions/passwordless-access/from-passwords-to-passwordless*

Data management supercharges planning

■ *Better insights, faster results and more actionable outcomes*

Traditional finance software, like Excel and many dashboard systems, don't support collaboration needed to act on the complex data you rely on for decision making.

While powerful and familiar, legacy tools often make it difficult to share data for analysis and forecasting.

But can you access live data from multiple sources across departments without replacing everything now in place and paid for?

A shared view

By adding data management and collaboration tools, you can connect existing data sources, analytical and forecasting apps and, most critically, people without a total tech revamp (or replacement).

A well-designed data management system (DMS) unifies applications you already use, providing automatic updates from various data sources.

Planners can continue using tools they are comfortable with to capture financial and operational data, while getting a shared real-time view into your entire operation.

Finance can collaborate with line managers to make quick decisions and generate more accurate forecasts. More good news: There are cloud and on-premises DMS options to fit your budget.

***Info:** tinyurl.com/collab592*

MANAGING FOR RESULTS

■ Tackling those tough talks in person (or on video chat)

"We need to talk … " Whether you're delivering corrective feedback on a finance report or telling someone on your team they didn't get a raise (or promotion), it's a tough conversation.

No-angst, actionable advice

These talks can be made easier – and more impactful – with some new strategies:

- **Start with a question.** Try to learn how the person feels about the report they turned in or their performance this year. You might find some common ground first.
- **Don't rush the process.** Yes, you have some not-so-great news to deliver and you don't want to delay, but take a minute to give some important background info and build up to the news. Otherwise, they'll feel blindsided.
- **Re-frame the talk.** View the chat as a chance to make your working relationship stronger. Employees can't change or improve something unless they're made aware of something that needs improvement.
- **Let them be heard.** This is key. Give the employee a few seconds to take in what you've told them. Then ask, "How do you feel about what I've just said?" And listen.
- **Stay connected (on video chat).** Even if working remotely, be aware there's a real person behind the screen with real emotions. Saying "I'm concerned" shows empathy. Also, encourage them to reach out to you after you sign off when the gravity of your message sinks in.

(Adapted from "How to Navigate Difficult Conversations," by Elizabeth Bernstein, at wsj.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 Created ownership over vendor relationships

When it came to A/P and Procurement working together for our Procure-to-Pay (P2P) process, we didn't always see eye-to-eye.

The biggest issue we had was our policy on ownership. We often disagreed on which team was responsible for what aspects of maintaining our vendor relationships and handling vendor issues.

Procurement brought on vendors, so we knew it was essential that they be involved. But they argued A/P was the last "touch point" with vendors, so they wanted us to work with them.

An unbiased perspective

Even though we didn't see things exactly the same way, we knew it was important to clarify which team issues should be directed to, so vendors stay happy with our company.

To establish and maintain a fair policy of ownership, we had a corporate compliance officer come in and be the middle person between A/P and Procurement. We got everyone together to map out our entire P2P process. After writing out each step, we identified who was responsible at what point, who should handle which issues, etc.

This middle person helped us find compromise and common ground throughout the exercise. Now, when it comes to managing vendors at every point in our P2P process, we all have the same understanding of how things should play out.

(Christie Russey, A/P and Credit Card Manager, Chenega Corp., Anchorage, AK)

2 The benefit that cut turnover by 28%

We operate in a highly competitive market for technical talent, making attracting and retaining these sought-after professionals a constant challenge. Many new hires in recent years have been early-career professionals, and we believed they must have significant student debt.

Two years ago, we heard about a brand new program Fidelity Investments was launching called Fidelity Student Debt: Direct.

It enabled companies to make monthly, after-tax contributions toward employees' student loans.

At the time, student debt employer assistance was a new benefit, and not many companies were offering it yet, so we jumped in early.

A recruiting differentiator

We felt it could really be a differentiator in recruiting, as well as a valuable benefit for our employees.

In the first year of the program, voluntary turnover among participating employees was 28% lower than among eligible, nonparticipating employees. This resulted in savings that paid for most of the benefit, generating ROI.

Employees have expressed enthusiasm for the program – and for their employer. As one participant said: "Thanks to this incredible benefit, I was able to repay my student loans almost two years early. It's nice to see that the company cares about our financial well-being, as well."

(Mandy Frank, Global Director, Compensation, Benefits and HCMS, Allegro, Manchester, NH)

3 Tech improvements spurred by COVID

Because of COVID-19, about 70% of our staff began working remotely.

We were glad to be deemed an essential service, but that meant that we had to keep up with our volume with a mostly-remote workforce.

Keeping up while at home

The real challenge here is staying productive and meeting demand.

In our industry, we have had booming sales during the outbreak because people can still make transactions with us by calling from the comfort of home.

We accelerated our system upgrades and found a way to automate some of our tasks.

And part of this upgrade was to create a customer-facing app to sell our products.

The app automates a lot of the process and helps our employees focus on other business.

Customers can select products, have interactive information available to them right in the app, and have their questions answered and products shipped without ever having to call in to our company.

We're now set up so that we could work almost exclusively remotely if we need to – and we were able to bring on a few more people.

Automating with this new app was the way to go to help us keep up with sales while keeping employees safe, comfortable and productive.

(Ron Hunn, CFO, International Collectors Associates, Durango, Colorado)

Growing reliance on contractors and gig workers driving more of your peers to automate their payables

■ *It's becoming too tricky to hang on to the paper*

For years organizations of all sizes and in all industries have known about the efficiencies and savings to be gained from automating payables.

And yet so many A/P shops remain manual. In fact, 81% of your peers used paper checks to pay invoices last year.

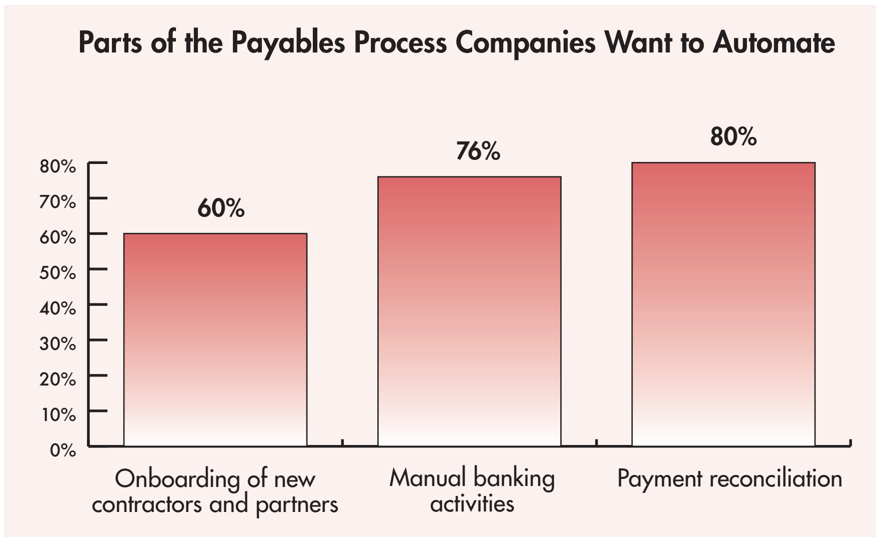
Now a shift in staffing strategies may finally be what gets companies to ditch the paper for good.

More gig workers = fewer paper checks

The gig economy has doubled in size in the last three years. And as more and more employers embrace this strategy, the manual, paper-based payment process becomes less and less feasible.

As you look to 2021 and what your workforce will look like, especially in this COVID era, pruning the paper from A/P may move up higher on the priority list.

MANUAL SYSTEMS NO LONGER UP TO THE TASK



Source: *Tipalti,* tipalti.com

The payment process has become more complicated with the explosion of the gig economy. And it's impacting many firms. More than half (58%) of survey respondents say that contractors and gig workers are an integral part of their business model.

Sharpen your judgment… THE DECISION

(please see case on Page 2)

No. The company lost when a court said the supervisor's comments were direct evidence of age discrimination.

The employee testified that over a two-year period, his supervisor made a series of disparaging comments about his age and he wasn't told of any performance issues.

The company pointed to its track record of hiring older employees as evidence that it didn't show age discrimination and argued that the employee's position would have been eliminated regardless of his age.

However, the court disagreed. By failing to show evidence of deficient performance and failing to complete a formal evaluation of the employee as required by the employee handbook, there was no documentation to back up the firm's adverse actions.

Analysis: Document all performance concerns

This case shows how vital it is for companies to document performance issues, particularly when it comes to eliminating positions.

Shifts in job responsibilities can be a breeding ground for these types of age discrimination claims. To prevent claims of age discrimination, employers must document any poor performance concerns.

And, most importantly, complete employee evaluations as required by company policies, which can defend a company against claims of bias.

Cite: Lowe v. Walbro LLC, *U.S. Crt. of Appeals, 6th Circ., No. 19-2386, 8/26/20. 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.

The taxability of leave donation programs

Q: Our company is thinking of creating a leave-sharing plan to help employees who may need more paid time off for reasons related to the coronavirus.

Should leave donations be included in their taxable income?

A: IRS addressed the taxability of employee-donated leave in a leave-sharing plan in *Notice 2006-59 (irs.gov/pub/irs-drop/n-06-59.pdf)*.

If an employee deposits excess leave in a bank that's designated for employees to use during a major disaster such as the COVID-19 pandemic, the leave shouldn't be included in the worker's wages as taxable income.

The worker also isn't allowed to claim the donated leave as an expense, loss deduction or charitable contribution for tax purposes.

For workers who use paid leave days from this leave bank, any wage payments they receive for this time off are subject to all applicable federal taxes, as well as Social Security and Medicare taxes.

Leave time can be paid at their normal compensation rate.

Tasking CFOs with cybersecurity duties

Q: In the past, our company didn't consider the CFO an essential part of the cybersecurity team.

That's changed now. How can I help my company promote cybersecurity and identify threats?

A: CFOs should work with their cybersecurity teams to adopt a resilience-based approach, says Steve Durbin, Managing Director of Information Security Forum *(securityforum.org)*.

You don't want to be caught off-guard, so preparing now for the consequences of cyberthreats is essential.

To do this, there are four key items that should be in place:

1. Sound governance for monitoring cyberactivities
2. Situational awareness about processes for gathering cyberintelligence
3. Resilience assessment to study past instances, and
4. Response action plan to prevent, detect or respond to cyberincidents.

An approach like this will be most successful if you're partnering and collaborating with others across your organization, and with outside sources such as law enforcement and other similar businesses.

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

COMMUNICATION KEYS

Hit just the right note with your next presentation

No doubt you take care crafting your slides for your finance presentations. To make what you present even more memorable you might want to include something else in your prep: music.

Experts at Johns Hopkins University confirm that embedding music throughout a PowerPoint presentation can sustain audience's attention, while securing the content in listeners' long-term memories.

Info: *business.tutsplus.com/tutorials/creative-presentation-ideas--cms-27281*

Have you added this to your social media policy yet?

Fact: More than 50 million videos tagged with "workplace" have been posted on TikTok. And while most are just silly fun, your company can be associated with it.

So if your company has social media guidelines (you do, right?), maybe include TikTok.

'Remote water coolers' keep colleagues connected

Staying connected can feel like an uphill battle as folks continue to work from home or with staggered schedules in the office.

That's why more of your peers have started implementing "virtual water coolers" for co-workers to chat informally and catch up.

Try assigning random groups of employees to meet up via Zoom.

Info: *psychologytoday.com/us/blog/the-adaptive-mind/202010/5-tips-manage-burnout-in-the-age-covid*

Recent developments that can help your business stay ahead

IRS pushes back deadline for Forms 1094, 1095

Good news! Your company has more time than you'd thought to get healthcare information reporting returns to employees.

IRS Notice 2020-76 extends the deadline for 2020 Forms 1094-C and 1095-C to March 2, 2021.

Something else IRS extended? Penalty relief.

It applies to employers who make a good-faith effort to provide these statements on time, but include incomplete or incorrect info.

Info: IRS Notice 2020-76, *at irs.gov/pub/irs-drop/n-20-76.pdf*

Corporate bankruptcies reach bleak milestone

No better time to make sure your company has the proper payment protections in place and secured creditor status wherever possible.

The number of business bankruptcies passed the 500 mark in early October. That's the first time this number has gone this high since 2010.

Info: *Stats come from an S&P Global Market Intelligence analysis.*

Returning to in-person events: a T&E timetable

2020 may have been a bust in terms of business travel, but one portion of it is expected to rebound next year: in-person events.

Employees will head back to industry conferences, client meetings, etc., says the most recent Global Business Travel Association poll.

See how your timetable compares to your peers' plans:

- 45% expect attendance to resume in the first half of the year, while
- 25% predict they'll return to in-person events in the second half of 2021.

Info: *For more on the poll, go to gbta.org/blog/second-wave-brings-uncertainty-to-business-travel-recovery*

Federal court vacates DOL's joint employer rule

It only took effect this winter, but parts of the Department of Labor's (DOL's) joint-employer rule are no longer valid.

A federal court recently struck down the vertical joint employer liability portions of the rule. The reason? They conflicted with the definitions contained in the Fair Labor Standards Act.

Note: The National Labor Relations Board's joint-employer rule remains intact, so you'll still have to follow that. And the EEOC is expected to propose its own rule soon. Stay tuned.

Info: *natlawreview.com/article/joint-employer-rule-struck-down*

Lighter side: Extreme teambuilding

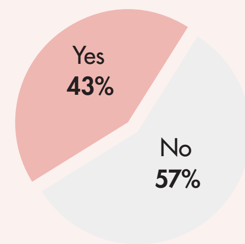
Chances are you've participated in – or even run – teambuilding activities like the trust fall. And while you certainly want to feel like your finance staffers trust each other, this may be taking that confidence a bit too far.

An Indian martial artist recently used a sledgehammer to smash 50 coconuts positioned around another man's body while blindfolded.

The stunt nabbed the men a Guinness world record. We suspect few of your team members would volunteer to be the person on the ground. You might get some takers for the sledgehammer … especially if you make it an interdepartmental activity.

MEASURE UP

Is your company strongly considering an acquisition in the next six to 18 months?



Source: *West Monroe's "C-Suite Poll: Outlook in Q4 2020"*

Looks like consumers aren't the only ones gearing up for some shopping! When considering growth strategies in the relative short-term, nearly half of your peers are giving serious thought to acquiring another business.