From CFO Daily News
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CFO & CONTROLLER Alert

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

May 27, 2021

KEY FINANCE FIGURES

	Curr*	Lst Mo	Lst Yr
Leading Rates %			
Prime Rate	3.25	3.25	3.25
Fed Funds Rate	0.25	0.25	0.25
Money Market Rates %			
London Interbank (LIBOR)			
1 month	0.11	0.11	0.18
3 months	0.18	0.18	0.42
6 months	0.21	0.22	0.66
Stock & Bond Indexes			
DJIA	33,587	33,800	24,222
S&P 500	4,063	4,129	2,930
NASDAQ	13,032	13,900	9,192
5-Yr T-Bill	0.77	0.88	0.37
10-Yr T-Bill	1.60	1.67	0.72
NACM Credit Managers' Index			
Sales	74.7	73.9	20.0
New credit apps	65.9	63.9	31.1
Dollar collections	63.1	64.5	35.5

*As of 5/10/21

9 internal controls: How many of them do you have?

■ *New survey reveals how your peers fight off BEC*

Few new threats have been as menacing to finance departments of all sizes as business email compromise (BEC) scams.

After all, crooks are impersonating YOU to get *your own staffers* to transfer company money to them!

And it's everywhere. More than three-quarters of your peers (76%) were targets of a BEC scam last year.

That's according to the 2021 Payments Fraud and Control Survey Report by the Association for Financial Professionals (AFP).

While payments fraud as a whole is seeing a slight decline, BEC keeps chugging along. Which means that every finance shop needs to be doing all it can to thwart these ever-so-convincing attempts.

The AFP report highlighted nine internal controls your peers tap today to fend off BEC scams.

How many do you use to protect your company's cash?

What at least 2/3 of your peers use

Take a look to see how many you already have and how many you might incorporate into your company's controls stable. They're

*(Please see **9 controls …** on Page 2)*

IRS guidance on new vaccination tax credit

■ *Taxman spells out how employers can take advantage*

Your company has been handed new incentive to get employees vaccinated against COVID-19 … in the form of payroll tax credits.

The American Rescue Plan Act made it so employers with 500 or fewer employees can get tax credits for paid time off they give their people to either get the shot or recover from it.

And now IRS has clarified how you can take advantage.

Runs April 1-Sept. 30

You can claim the credits for wages paid during the period from April 1, 2021 through Sept. 30, 2021 if you pay sick and family leave during that time.

Expect to claim the credits on your Form 941? You can keep the federal employment taxes you otherwise would've deposited equal to the amount of the credit.

That includes federal income tax withheld from employees, employees' share of Social Security and Medicare taxes and your share of Social Security and Medicare taxes.

Info: *For a fact sheet on the tax credit, go to irs.gov/newsroom/employer-tax-credits-for-employee-paid-leave-due-to-covid-19*

9 controls …

(continued from Page 1)

listed in order, starting with the most popular among your peers:

1. End-user education and training on the BEC threat and how to identify spear phishing attempts (77%). You face a two-pronged menace when it comes to BEC: the phishing attack to get access to your systems and the BEC scam itself. And staffers can't afford to fall for either.

2. Company policies for providing appropriate verification of any changes to existing invoices, bank deposit information and contact info (70%). Blind faith can be expensive. You want your people to check and double check all requests.

3. Independent confirmation of funds transfer requests (67%). That means a staffer calling back an authorized contact for that account using a phone number from your own records – not the number listed in the email.

4. Policies prohibiting payments initiation based on emails or other less secure messaging systems (66%). No more trusting less-than-trustworthy systems. Some of your peers no longer allow payments triggered by email.

What half to one third rely on

In the middle of the pack, you have these internal controls, which range from high-tech to decidedly low-tech:

5. Authorized sign-off of senior management for transactions over a certain threshold required (58%). This is especially helpful with BEC, as the approver may in fact be the person being impersonated!

6. A minimum two-factor authentication or other added layers of security for access to company network and payments initiation (57%).

7. Color-coded emails with red banners, etc., indicating they're external (39%). This is an easy one but barely more than a third of companies are doing it. It's a hard-to-miss, at-a-glance signal that an email allegedly coming from someone inside your company really isn't.

Less than a third of firms using these

These last two controls may not be as popular as the others, but they can be extremely effective:

8. An intrusion detecting system that flags emails with extensions that are similar to company email (28%). So, for example, where "rn" could be used in the place of an "m" so that a fast-reading staffer wouldn't even pick up on it.

9. Prohibiting or at least flagging emails where the "reply" email address differs from the "from" email address shown (21%). Again, this helps catch those subtle changes that mean the difference between a legitimate email request and a cash-draining scam.

Info: *For more on the AFP survey, go to tinyurl.com/AFPPaymentsFraudControlsurvey*

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.

Are this company's services taxable or exempt?

A/R Manager Trey Stockman poked his head in CFO Bill Keeper's doorway. Even with his mask on, Bill could see Trey was frowning.

"I'm guessing you got nowhere good with the Department of Revenue," Bill began.

"Nope," Trey replied. "Just got off the phone – they still insist our services are taxable."

Non-taxable as consulting services

"It seems pretty straightforward to me," Bill jumped in. "We send customers survey data results with an analysis, plus the subscription-based ad effectiveness benchmarking product that helps them compare their companies to industry peers.

"Those are non-taxable consulting services, because the data we provide is merely a part of the service."

"Well, the state just keeps saying they count as taxable information services," Trey said.

Ultimately when they couldn't get anywhere on the issue, Bill's company challenged the state's stance in court.

Was the company able to prove that its services weren't subject to sales tax?

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

How well are collections *really* going? Don't rely on this to tell you

■ *The old standby, DSO, often fails to give the complete picture*

If you're still relying on days sales outstanding (DSO) as your primary gauge of collections effectiveness, you may want to rethink that strategy.

That yardstick may not give you the truest picture of your cash flow. Worse: You might not see trouble, like "terms creep" until it's already had a negative impact.

So says of Val Venable, CCE, ICCE, and FCIB's International and Credit & Risk Management course instructor.

Here's what you might want to do instead.

A complement to other metrics

You don't need to toss DSO out – it's likely the metric the exec team is most comfortable with.

Instead, you're better off using it as one of a series of measurements your A/R department tracks.

What else to add to the mix? Two especially helpful metrics, according to Venable:

- average days delinquent, and
- dollars past due.

Those are much better ways to determine how well your team enforces both payment terms and on-time collections.

Adapted in part from "DSO Has Its Merits, But Not for Collections Performance," by Bryan Mason, NACM eNews, *4/29/21.*

FOR MORE ...

For more on why DSO doesn't tell the whole story now, go to *cfoandcontrolleralert.com/is-it-time-to-adjust-your-credit-metrics*

IRS offers new safe harbor for PPP expenses

■ *Revenue Procedure 2021-20 allows deductions that had been denied*

Did your business avail itself of a Paycheck Protection Program loan in Round 1?

Your company may be entitled to some additional expense deductions.

IRS recently announced a new safe harbor for companies that relied on PPP deduction-related guidance issued before Dec. 27, 2020.

Those companies were previously denied deductions that were later allowed under the Consolidated Appropriations Act.

These 4 in bounds now

The older guidance wouldn't let businesses deduct the corresponding expenses when the PPP loans were used to cover certain expenses.

IRS Revenue Procedure 2021-20 greenlights companies to now claim deductions for the following:

- payroll costs
- interest on covered mortgage obligations
- covered rent obligation payments, and
- covered utility payments.

Note: To qualify, your company must meet four conditions outlined in the revenue procedure.

Info: Revenue Procedure 2021-20, *at irs.gov/pub/irs-drop/rp-21-20.pdf*

ECONOMIC OUTLOOK

■ A push for higher interest rates from a familiar face

Summer's almost upon us, and one important thing we should be worried about overheating is the U.S. economy.

That came straight from Treasury Secretary Janet Yellen in a recent economic forum.

The coolant in this case? Interest rate hikes.

Yellen conceded that interest rates may have to rise "somewhat" in order to temper the growth brought on by the trillions spent on government stimulus.

Since the pandemic began the government has spent $5.3 trillion on stimulus.

Staying in her lane

Of course, Yellen admittedly doesn't have the job to make that happen. At least not anymore, since her term as Federal Reserve Chair ended in 2018.

Monetary policy falls square on the Fed's shoulders with the Federal Open Market Committee.

Which may be why later that same day Yellen offered some elaboration, clarifying that she wasn't predicting anything or trying to influence her former employer.

Seeing as interest rates have been near zero for more than a year and the Fed has been quite vocal about having plans to hold tight, it would be quite an about-face to raise rates now.

Stay tuned.

(Adapted in part from "Treasury Secretary Yellen says rates may have to rise somewhat to keep economy from overheating," by Jeff Cox, at cnbc.com)

The cost to cyberinsure your firm about to go through the roof

■ *Hang on to your wallet! Rates could rise by as much as 50%*

And you thought a cyberattack was costly! The price tag to insure your business against one of these incidents may soon rival the incident itself!

When renewal time rolls around you can expect a cyberinsurance premium increase of anywhere between 20% and 50%.

That's according to a recent report by Aon PLC.

Here's the lowdown.

2 factors driving up costs

So what's behind such massive spikes? Two main factors:

- more claims, coupled with
- greater severity of those claims.

A major culprit: Ransomware incidents, which are up 486% between the start of 2018 and the end of 2020.

Comparatively, both data breaches and privacy incidents are actually down in that period.

Don't get caught short

While you may not have a ton of control over these hikes, you do want to ensure there aren't any factors that could drive costs up unnecessarily:

- errors and/or omissions that could result from accelerated digital transformation initiatives this past year
- vulnerabilities from the use of Remote Desktop Protocol software
- increasingly complex breach regs
- cyber extortion, and
- vendor risks, from third-party technology and back-end applications.

Adapted in part from "Cyber insurance rates to increase 20-50% this year: Aon," by Judy Greenwald, at businessinsurance.com

Ubiquitous tech tool gains new prominence

■ *The humble pdf more important than ever during the pandemic*

You probably didn't give it much thought before, but since the pandemic took hold last March there's one little tech feature taking on a much bigger place in getting business done: the pdf file.

And not just for internal things, either. Your peers say PDF solutions have played a more important role in their communications with customers.

That's from a recent survey by Foxit Software.

And with it came some new needs.

Set up for maximum success

To ensure you're set up for success with your pdfs, you'll want to have these three bases covered:

1. **Is that pdf editable?** No longer just a picture of a stagnant document – 59% of your peers say their need to edit pdfs has increased.
2. **Can digital signatures be added?** More than half of firms (53%) report their desire for e-signature technology has grown.
3. **Are the pdfs secure?** 45% say the need for document security is up, especially when you consider that 42% of folks now access pdfs more frequently on their mobile devices.

Info: *For an infographic of the findings, go to foxitsoftware.com/infographics/How-the-use-of-PDF-changed-since-the-Pandemic-started*

MANAGING FOR RESULTS

■ Raising the bar on your own leadership skills

You're a great leader. You know it. People have told you it. But every once in a while, self-doubt might creep in. Where could I improve?

That's good – looking for ways to improve and wanting to be better only proves you're a great leader.

But you still need to know what to improve. This self-assessment tool from Dr. Bill Donahue, a leadership consultant, speaker and coach, can help.

7 questions to ask on the regular

Most people – and especially managers who want to be great leaders – scrutinize bad decisions.

While it's important to review bad decisions and try to learn from them, it's more important to assess good decisions. That way, you equip yourself to do more of the right stuff.

Donahue suggests honestly reviewing these questions regularly:

- What was my process for making a good decision? Did I get input, go off intuition, gather data, etc.?
- How did my decision impact staffers' and colleagues' emotions, work environment and success?
- How quickly did I decide? What influenced my decision speed?
- What was the ripple effect of my decision?
- Did I directly contribute to a significant business result?
- What other factor(s) outside my control had an impact?
- Overall, how do I feel about the decision? Would I make it again?

Then, "sift through your answers for themes, insights and wisdom for future decisions," Donahue says.

Info: *drbilldonahue.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 The nudge that gets more vendors to use EDI, EFT

We were looking to work with vendors that were on the same page with electronic capabilities.

For the most part, we wanted to partner with vendors that have Electronic Data Interchange (EDI) and accept Electronic Funds Transfer (EFT) payments.

Of course, not all of our vendors were great at heeding our requests and adhering to our rules.

Some of them were still stuck in manual processes – including paper invoices and checks.

We didn't want that to slow down our own payables process, so we made some policy changes.

2 financial disincentives

We implemented two new firm, but fair, conditions for vendors that work with our company:

1. We charge vendors $100 for every manual invoice we have to process ourselves.
2. We charge vendors $100 for every paper check we have to mail to them.

These charges are easy to do, since they come right off vendors' checks as chargebacks.

We do have specific vendors that are exceptions to this – for example, government agencies. But for the most part, these new conditions are enough to make vendors see just how serious our A/P department is about moving forward in a digital direction.

(Nicole Caley, Senior A/P Director, AAR Corp., as presented at the A/P P2P Conference & Expo, Orlando, FL)

2 How we got employees to unplug and recharge

We wanted our employees to take good care of themselves so they could perform at their peak on the job – and be their best outside of work.

Of course, we couldn't mandate self-care, especially when that meant different things to different people.

So we steered employees toward some of the best-known ways to practice self-care.

That could be anything from regular meditation, time outdoors, a spiritual practice or a gratitude journal – as ways to prevent a downward slide toward burnout.

Just one night!

Many embraced it.

But we encouraged this research-proven tactic to help everyone across the board:

Completely unplug for one night midweek – just one, folks!

Many tried it and found they were more likely to look forward to going to work in the mornings and feel fulfilled at their jobs.

It's also been a great modeling tool: Employees feel OK unplugging when the boss does it, too.

Now teams stay focused – and don't get burned out.

(Jo Ilfeld, Executive Coach, Jody Michael Associates, Chicago)

3 Staying audit-ready keeps pay errors down

Making sure employee attendance data is accurately entered into our payroll system is important for several reasons.

Besides ensuring that our people are getting compensated correctly, having the different types of time-off balances – from vacation to bereavement leave to COVID-19 quarantine – loaded in the system right matters.

For example, what if someone on maternity leave needs extended time off and they don't have much paid sick time? The coding can get complicated.

Regardless, everything needs to be precise. The accounting firm we work with performs an annual audit, plus there are state- and county-run retirement systems that run periodic quick audits.

Two sets of eyes

While inputting attendance and time off data, we stay mindful that these audits are coming. If a discrepancy is found, such as an unpaid day off that maybe should've been a paid day off, we'd have to provide an explanation.

We recruit someone in the office – usually from Accounting – to regularly review this data and ask questions before final payroll approval. That catches just about every error before it becomes a problem.

Although corrections are easy to make, even if over-withholding is involved, staying in compliance is the best way to save our firm money.

(Heidi Alibozek, Payroll Manager, Berkshire Hills Regional School District, Stockbridge, MA)

The cost of on-the-job highway crashes to employers: $66,119 per million vehicle miles driven

■ *Distracted driving far and away the biggest threat to your company financially*

We're getting there! Business mileage has reached about 70% of pre-pandemic levels, according to the folks at Motus.

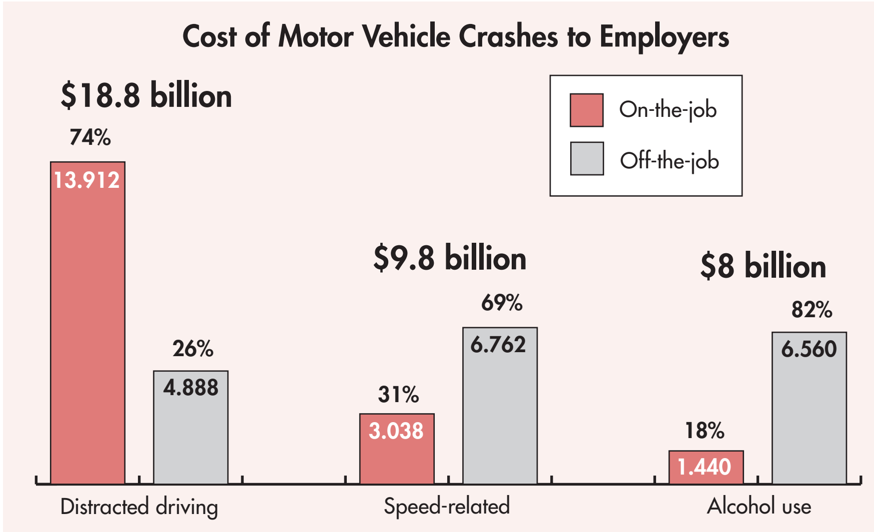
Which means that there's no time like the present to caution employees against distracted driving.

It's not always the phone to blame

While most people think of smartphone use while behind the wheel, there are several other distraction risks you should warn employees about, courtesy of AAA:

- **Car settings.** Mirrors, climate control, seats should all be adjusted before hitting the road.
- **Snacks.** Ideally, any eating while driving isn't the best, but messy food is a definite no, and
- **Possessions.** Anything rolling around or falling onto the floor can be a hazard, especially if employees try to pick them up or secure them while driving.

DRIVING COSTS UP



Source: *Network of Employers for Traffic Safety,* trafficsafety.org

Folks may have driven 13% fewer miles last year due to the pandemic, but vehicle fatalities still rose. Experts attribute this to rusty drivers who haven't been behind the wheel nearly as much as usual due to remote work.

Sharpen your judgment… THE DECISION

(please see case on Page 2)

No. Bill's company was unable to prove its services weren't taxable.

The business claimed the services it provided to its customers were non-taxable consulting services. However, the state asserted that they were taxable information services.

The judge agreed with the state's argument, saying, "the process of collecting, compiling and analyzing information is the very essence of an information service."

On top of that, taking that information and creating reports for others also falls within the realm of an information service. And Bill's company's services clearly included analysis reports and marketing surveys.

So the company must charge and remit sales tax for those services.

Analysis: Navigating new muddier waters

It used to be simple: Goods were taxable, and services weren't. But that's no longer the case anymore.

The waters have gotten a lot muddier these days, especially when it comes to digital services. And states fine-tune their stances on the regular. Best to make sure you're up-to-date on what your state (and the states you do business in) consider taxable and not when it comes to services.

Cite: In the Matter of Dynamic Logic, Inc. (By Kantar LLC, as Successor-in-Interest), *DTA No. 828619 (N.Y. Div. Tax App., ALJ Det'n, 1/14/21). 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.

Benefits for employees not actively at work?

Q: Unless there's an extension of Sec. 9501 of the American Rescue Plan Act, eligibility for COBRA premium assistance will end Sept. 30, 2021. For people whose employment is terminated during the last quarter of 2021, we're considering whether we can keep them on our medical, dental and vision plans a little longer than we normally would, before offering them COBRA. After all, we understand these are tough times for people.

A: Many employers who want to help out their employees in this way may inadvertently be placing themselves and their employees at financial risk, according to Gary Blachman, Ice Miller LLP.

It's important to determine whether your plan has an *actively at work* clause, he explains.

With fully insured plans, some carriers may extend benefits three months beyond when the employee is actively at work, to coincide with leave under the Family and Medical Leave Act. Other carriers may have a shorter timeframe.

The risk of offering benefits if an employee is no longer actively at work is higher for self-insured plans, says Blachman.

That's because stop-loss companies can and do deny claims. Be prepared: These companies may request payroll records to confirm an employee's work status.

With any plan, ensure your policy and handbook are clear regarding how long employees can stay on the plan if they're away from work.

Q2 tax credits: Options for claiming them?

Q: We qualified for the paid sick and family leave credit as well as the employee retention credit early in the second quarter of 2021. Can we use Form 7200 to receive an advance payment of the credits from IRS, instead of waiting to file Form 941?

A: Even as we rolled into May, IRS still hadn't released a revised version of Form 7200 to be used for the second quarter.

Warning: If you use either of the previous versions – i.e., from March 2020 or January 2021 – IRS says it'll reject the form.

Rather than submitting the 7200, employers have other options. For example, you may be able to reduce the amount of your employment tax deposits right now.

But you can't do both, noted Adrienne Griffin during the May IRS Payroll Industry Call.

Also, Griffin pointed out, the reduction amount must be less than or equal to the amount of your anticipated credits for the quarter as of the time of the required deposit.

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

COMMUNICATION KEYS

What not to ask a vaccinated employee

OK, yes, you can ask an employee whether or not he or she has gotten the COVID-19 vaccine. That doesn't violate the Americans with Disabilities Act or even the Genetic Information Nondiscrimination Act.

But you likely want to steer clear of follow-up questions like these, which could trigger compliance issues, no matter how well-intentioned:

- "Why aren't you vaccinated?"
- "How did it go?" and
- "Did you have any side effects?"

Info: *hrdive.com/news/mailbag-can-we-ask-employees-if-theyve-been-vaccinated/597802*

Word mix-up of the month: Hone vs. Home

Grammar mix-ups can be embarrassing for sure. So remind your team of this all-too-common one: confusing verbs hone and home.

Hone means to sharpen, not to home in on. So your A/R staffer may hone her collection techniques but your afternoon meeting homed in on a solution to the budget issue.

A better way to get better employee feedback now

Many workplaces are in transition time right now as they navigate return to work. It's a critical moment to keep morale and loyalty high, so you want to solicit employee feedback.

A great way to do that: pulse surveys. Rather than a bulky question-laden annual survey, these "quick hits" have just a couple of questions and ask them much more frequently so you can quickly spot trends and changes in employee attitudes.

Recent developments that can help your business stay ahead

Penalty relief arrives for COVID tax credits

Employers can reduce the amount of employment taxes owed by the amount of qualified wages paid that would be eligible for each COVID-relief-related tax credit. And you won't face any penalties for late tax deposits says *IRS Notice 2021-24.*

You're entitled to this relief if you can claim the following tax credits:

- Paid sick and family leave credits under the Families First Coronavirus Response Act for qualified leave wages employers paid between Jan. 1, 2021, and March 31, 2021
- Paid sick and family leave credits added under Sec. 9641 of the American Rescue Plan Act (ARPA) for qualified leave wages paid from April 1, 2021, to Sept. 30, 2021
- The employee retention credit under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for qualified wages paid from Jan. 1, 2021, to June 30, 2021
- The employee retention credit added under Sec. 9651 of the ARPA for qualified wages paid from July 1, 2021, to Dec. 31, 2021, and
- The tax credit for offering COBRA continuation coverage premium assistance added under Sec. 9501(b) of the ARPA from April 1, 2021, to Sept. 30, 2021.

Info: IRS Notice 2021-24, *at irs.gov/pub/irs-drop/n-21-24.pdf*

Biz groups oppose new amendments to UI

A new bill making its way through Congress would make some significant – and costly – changes to unemployment insurance, and your peers aren't having any of it.

A group of business associations joined in a letter of opposition to HR 1620, which passed the House in March. Under it, unemployment benefits would be charged to employers even when the reason for unemployment had no connection to work, wasn't due to anything the employer did, and didn't happen during the course of employment.

The bill is now at the Senate. Stay tuned.

Survey: Many employees report feeling 'stuck'

No time like the present to check in with your Finance staffers – many may be feeling a bit stuck these days.

A recent survey by Robert Half revealed that many employees believe the pandemic derailed their career. Where are they feeling it most?

- salary growth (54%)
- career advancement (47%)
- ability to grow their professional network (47%), and
- skills development (44%).

While your hands may be tied on the salary front, there's plenty you can do to help get them back on track with the other three.

Info: *tinyurl.com/covid-derailing-careers*

New tip-sharing rules: DOL delays key parts

Employers whose people earn tips, take note: The Department of Labor (DOL) has pushed back a part of the new tip-sharing rules.

Specifically, the portions regarding assessment of civil money penalties for FLSA violations and the application of the tip credit to tipped employees who perform both tipped and non-tipped duties won't kick in until Dec. 31.

However, understand you're already bound to many key provisions which became effective April 30, including ones that:

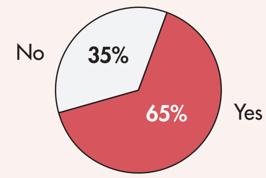
- Prohibit employers from keeping workers' tips, whether or not your company employer takes a tip credit.
- Let employers that don't take a tip credit include non-tipped workers (cooks, dishwashers, etc.) in tip pools, and
- Set recordkeeping requirements.

Info: *tinyurl.com/toppoolingruledelay*

MEASURE UP

Comprehension Confusion

Did you fully understand any of the employee benefits you enrolled in during your most recent open enrollment period?



Source: *Voya Financial,* voya.com

Open enrollment will be here again before we know it! One group to give some extra attention to: Millenials. A whopping 54% answered the above question with a big old "No."

Lighter side: Who's the dummy now?

Whistleblowers can be invaluable resources in finding out about funny-business. Just make sure they've had their eyes checked recently.

A woman in Nova Scotia recently called the police to report a restaurant violating COVID-19 limits when she saw someone sitting in the restaurant.

Only problem? It was a mannequin.