From CFO Daily News Powered by SuccessFuel

CFO & CONTROLLER Alert

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

July 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	0.10	0.08	0.18
3 months	0.13	0.12	0.27
6 months	0.17	0.15	0.34
Stock & Bond Indexes			
DJIA	34,996	34,394	26,086
S&P 500	4,385	4,247	3,155
NASDAQ	14,733	14,069	10,391
5-Yr T-Bill	0.79	0.76	0.30
10-Yr T-Bill	1.37	1.47	0.64
NACM Credit Managers' Index			
Sales	67.7	73.2	54.1
New credit apps	63.1	64.6	57.9
Dollar collections	61.1	60.0	53.9

*As of 07/12/21

Head in the cloud: Where your peers see the real ROI

Just 12% gaining substantial cost savings

For companies everywhere the cloud has been touted as packed-full of promise:

- "It'll save us money."
- "It'll let us make smarter, more data-driven decisions."
- "It'll make us more resilient."
- "It will make us more competitive."

And it can do all of those things … but is it?

Maybe it's called "the cloud" for another reason: The payoff can be cloudy at best. And downright hard to see for many businesses.

That's the experience of your peers as laid out in the new PWC *U.S. Cloud Business Survey.*

Only about half of execs say they're very confident they can:

- accurately account for cloud-based revenue
- track existing cloud spend, and
- measure ROI of cloud investments.

Fortunately, help has arrived!

Handicapping your odds of success

We're breaking down the PWC survey findings to help zero in on

(Please see **The cloud …** on Page 2)

Report: The cost of compliance going up

47% of your peers say they'll have to spend more on this key task

While compliance always eats up a good portion of your attention as CFO, get ready for it to eat up a bigger portion of your budget.

Nearly half (47%) of your peers expect their compliance staffing costs to go up this year.

That's according to the new *Cost of Compliance 2021: Shaping the Future* report by Susannah Hammond and Mike Cowan.

Coming your way

The report provides you with a snapshot of what you can expect on this critical front. Some highlights to compare to your own experience:

- *You'll have more to handle:* 78% of your peers expect regulatory information to increase this year.
- *You may have to do it with the same budget:* 36% say their budgets will hold steady.
- *You could end up on the hook yourself:* 50% predict personal liability for compliance missteps will increase.

Info: *mena.thomsonreuters.com/en/resources/risk/reports/2021/cost-of-compliance-2021-report.html*

The cloud ...

(continued from Page 1)

where the cloud is best paying off for your peers to better set up your own initiatives.

Because not everything is paying off evenly.

Take a look at which cloud initiatives realize the most value, according to the CFOs PWC surveyed:

- improving decision making through better data analytics
- ensuring business continuity
- reducing costs
- enhancing brand and reputation, and
- improving resilience and agility.

On the other hand, the following reasons for migrating to the cloud aren't bringing the ROI at the same rate:

- combating new industry entrants
- improving the employee experience, and
- creating better customer experiences.

Of course every company – yours included – has its own motivations for tapping the cloud.

But by analyzing your peers' experiences you'll have an idea of what can get you closer to the payoff you're after.

Something important to note: The companies that realized substantial value from the cloud still only accounted for about half the businesses that had identified that goal.

Just 38% taking full advantage of R&D tax credit.

Take reducing costs, for example. While 24% of CFOs said that was a target business outcome from the cloud, just 12% of them gained significant value from the shift.

Don't sleep on opportunities to save

While there's no quick fix to improve your ROI from cloud initiatives, there are under-tapped strategies to make the most from it.

PWC identified a big one in its report. Barely over a third (38%) of finance execs consider themselves "very confident" they're taking full advantage of the R&D tax credits for their cloud investments.

But if Finance and Tax collaborate closely with IT to quantify and document thoroughly, you can take full advantage of those tax credits.

And some serious savings will start coming in that will speed your payoff.

Info: To access the full PWC report, go to pwc.com/us/en/tech-effect/cloud/cloud-business-survey/cfo-finance-leaders.html

CFO & CONTROLLER Alert

EDITOR-IN-CHIEF: JENNIFER AZARA
jazara@CFODailyNews.com
EDITOR: JENNIFER WEISS
PRODUCTION EDITOR: JEN ERB
EDITORIAL DIRECTOR: CURT BROWN

CFO & Controller Alert (ISSN 1081-9592), Issue date July 27, 2021, Vol. 27 No. 608, is published semi-monthly except once in December (23 times a year).

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.

$21K fine for employee injury: Can firm fight it?

"A $21,000 fine from OSHA!" CFO Bill Keeper exclaimed. "Tell me this is a mistake," he said to Safety Supervisor Cal Hornsby.

"Wish I could. One of our guys, Pete, was injured when he was fixing a pipe – a pipe I told him to stay away from in the first place," Cal explained. "Which was why I told him to wait for help."

Told him to stay away

"So you didn't ask Pete to fix it?" Bill asked.

"Hell no," said Cal. "He came over and asked if he could fix something. I told him no, that we'd have one of the guys who was trained to fix that take care of it.

"A little while later, I hear guys all yelling for help. Pete had been fooling with the pipe, and the built-up pressure caused a section to shoot off and hit him," Cal said.

"I know safety is your area, but I also know OSHA's very specific that workers need to be trained on workplace hazards," Bill said. "That's probably their thinking in this case. But $21,000?"

"There wouldn't have been any danger if he had done like he was told and waited for help to arrive," Cal said.

The firm fought to get the OSHA fine dismissed. Did it succeed?

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

Liquid diet! More companies taking conservative treasury approach

■ *Nearly half of firms increased cash and short-term investment holdings*

Hope you aren't prone to altitude sickness … because that mountain of cash is higher than ever!

A whopping 47% of finance execs say they have increased their cash and short-term investment holdings in the past 12 months.

So finds the latest Liquidity Survey by the Association for Financial Professionals (AFP).

That's the highest number since AFP began tracking this data 16 years ago.

Take that to the bank!

Also at a current high: How much of your peers' short-term investment portfolios lie in bank deposits.

That number now sits at 52%.

Of course, not everyone is remaining that liquid, even while remaining conservative.

On the mutual fund front

When it comes to selecting a mutual fund, the AFP data also gives you an idea of what's driving your peers on this cash management front:

- fund yield (65%)
- fund ratings (55%), and
- fixed or floating net asset value (45%).

Info: *For more on the liquidity survey, go to afponline.org/about/learn-more/press-releases/Details/survey-significant-increase-in-cash-holdings-within-the-u.s.-attributed-to-pandemic*

FOR MORE …

To see how current treasury stances compare to five years ago, go to *cfoandcontrolleralert.com/new-treasury-benchmarks-offer-snapshot-of-your-peers-risk-tolerance*

Biz travelers want changes post-COVID

■ *Greater flexibility the top priority … but at what cost?*

Seems the desire for more flexibility in a post-COVID workplace doesn't just extend to working hours … employees want it for business travel too!

That's the loud-and-clear message to come out of a recent survey by SAP Concur.

The flexibility to …

And people were very specific about what they want:

- 52% want to choose direct flights, even when they're more expensive
- 46% expect to select preferred accommodations
- 43% want to pick their travel mode
- 41% expect to be able to stay in four- and five-star hotels
- 39% want the option to book travel directly on supplier websites
- 39% wish to set the length of their trips, and
- 39% said they expect to select premium seating options.

Of course no company can afford to bust its budget in an attempt to give employees everything they want.

But this list offers a springboard to see where your company might offer some flexibility, while setting new parameters to keep costs in check.

Info: *The poll of 3,850 business travelers was conducted in May.*

ECONOMIC OUTLOOK

■ How to tackle our unique labor market challenge

Employment grew by 850,000 jobs to close out the second quarter of 2021. A positive sign for sure.

Yet unemployment held almost steady at 5.9% for the second month in a row. Nine and a half million Americans remain unemployed.

This is the unique situation we find ourselves in during this fast-paced recovery.

So what's behind it?

Ironically, the very things helping people out since the pandemic began – stimulus checks and tax credits – are keeping people from heading back to full-time work.

Or at least enabling them to take their time deciding.

What makes them come back

The staffing experts at Adecco have been watching this phenomenon closely these past few months.

In response to what's happening, employers have been scrambling to fill in the gaps. The demand for temporary workers is expected to increase 45% on a seasonally adjusted basis for Q2.

What can be done to get more people back in full-time positions?

Companies may need to take a new look at their compensation and do a little benchmarking to see how competitive they are.

People are 60% more likely to return to work if the pay is greater than the 75th percentile, says Adecco.

This phenomenon should continue at least through September. Stay tuned.

(For the latest labor report from the Bureau of Labor Statistics, go to bls.gov/news.release/empsit.nr0.htm)

Most employees can't pass a basic cybersecurity quiz

■ *And you might be surprised who knows the least*

You know that when it comes to cybersecurity, the buck often stops with employees. A staffer clicks a link he shouldn't and you're hit!

Which is why many companies – perhaps even your own – have implemented cybersecurity training for their entire workforce.

Too bad that testing is failing.

Of the 69% of employees who say they've received cybersecurity training at work, 61% failed a basic quiz.

The folks at TalentLMS and Kenna Security put cybersecurity training to the test with a test of their own.

And the results can help make sure your own efforts keep your sensitive info safe.

Who fails most

You might be surprised to find out that when it comes to cybersecurity knowledge, your employees raised on tech come up short most often.

As a group, employees aged 18-24 performed the worst on the quiz, with a mere 16% pass rate.

Where to redouble your efforts

You may also want to take a second look at what you're testing employees on. There are some specific knowledge gaps.

For example, most folks were able to answer questions about things like passwords and USB usage.

The question 93% of folks missed: "Which of the following actions should you take to keep an important document safe?"

Seeing how critical that answer is, you can't afford any confusion.

Info: *For complete survey results, go to talentlms.com/blog/cybersecurity-statistics-survey*

New time limits imposed on ACH disputes

■ *One year window effective June 30, 2021*

The stakes just got higher to make sure each and every automated clearinghouse (ACH) transaction is correct and intentional.

Because you now have a defined window to dispute a payment.

Nacha, the governing body of the Automated Clearinghouse, has a new rule that limits the timeframe a Receiving Depository Financial Institution (RDFI) can make a claim against the originating institution's authorization warranty.

And it kicked in June 30th.

From now on, you have one year from the settlement date of the entry to make a claim on entries to non-consumer accounts.

If more time passed than that, your company is out of luck.

Now just like other transactions

Before this, there was no limit. Wanted to dispute a payment from five years ago? Go right ahead.

No more. The change was made to make ACH time limits parallel with limits for other types of transactions.

<u>Note</u>: The new rule doesn't change anything about the timeframe for RFIDs to return unauthorized debits.

Info: *You'll find more details on the new rule at nacha.org/rules/limitation-warranty-claims*

MANAGING FOR RESULTS

■ Handling the F-word: failure

Every failure is an opportunity to learn and get better.

Leaders can help employees do both when you identify their reaction to the failure and work with them to get beyond it, says leadership expert and consultant Dan Rockwell.

And folks may be running up against failure more frequently these days as teams try to navigate the new workplace normal of hybrid schedules, full return to the office, etc.

Typical reactions to watch

Be on the lookout for these common failure reactions within your own finance team:

Reaction 1: Humility. It's the best reaction. They own the mistake. They're most open to learning and growth.

<u>How best to respond</u>: Help staffers identify the issue behind it and brainstorm new approaches to try.

Reaction 2: Manipulation. They might intend to avoid the failure again but continue to make the same mistakes that led to it.

<u>How best to respond</u>: Try repetition and regular check-ins to keep these folks on track.

Reaction 3: Arrogance. This is the worst reaction. These individuals often make excuses, blame or resist change.

<u>How best to respond</u>: You'll want to be specific with ways to change – as well as the consequences for not making that change.

(Adapted in part from "How to Respond Skillfully to the Three Types of Failure," at leadershipfreak.blog/2021/03/31/how-to-respond-skillfully-to-the-three-types-of-failure)

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 We slashed the number of rush check requests

Business transactions aren't always simple and easy. We know sometimes employees may come to Accounts Payable and need a rush check for a certain purchase.

Problem was, we were getting requests a little too often.

And all the rush checks put a strain on A/P, because whenever requests came in, they had to put their normal workload aside and handle them.

We tried to discourage too many rush checks by charging a $25 fee for them. Still, employees didn't seem to care.

We knew we needed to change the culture and reduce the amount of rush check requests we received.

Found the magic number

We felt like we were onto something with charging a fee for rush checks – we just had to find the magic number that actually got employees' attention and caused them to shape up.

First we raised the rush-check fee to $50.

When that didn't work, we raised it again … and again …

For our company, $125 was the magic number.

When employees saw that charge, they shaped up, and the number of rush checks we got decreased.

(Pam Miller, Certified APM, Education Director, IOFM, as presented at the A/P P2P Conference & Expo, Orlando, FL)

2 Our training solution for the new normal

As the workforce became increasingly hybrid or fully remote, it got more difficult to train our employees.

Plus, employees working under new conditions needed to boost current skills and learn some different ones.

We had a decent handle on training employees when they were all together.

But we wanted to find another element to help with gaps the new working conditions created.

Benefits for both sides, employee and employer

What helped was partnering with local community colleges.

We identified the gaps, and school leaders and professors helped us design opportunities for employees to upskill, re-skill or explore new interests.

We also did all we could to make training flexible so employees could fit it in at convenient times.

Even better, it provided benefits for both of us.

We could train employees.

And we became an outlet for the school to place interns and new graduates, who came to us with strong skills the school already taught them.

(Balraj Kalsi, General Manager of Online Skills Learning, Cengage, Independence, KY)

3 Seeing the savings from self-funded health plan

A client of ours was unaware that certain employees were unnecessarily driving up company healthcare costs.

It took self-funding their health plan to discover what was going on.

Unlike a fully-funded plan administered by an insurance carrier, a self-funded plan allows employers to see claims items, such as:

- billed charges
- non-covered items
- medication details, and
- cost markups.

Being able to track this info revealed that some younger male employees were getting testosterone treatments to get "pumped up" before working out.

Costs under control

Because self-funded health plans are controlled by the employer, all it took to put a stop to that was requiring pre-certification to confirm medical necessity for those services.

Other cost control moves that saved our client money include:

- teaching employees when and when not to go to the ER
- teaching employees about the benefits of generic medications
- adding copays to overused services, and
- putting maximums on certain benefits.

(Danielle Belding-Smith, Vice President of Sales Administration, Maestro Health, as presented during the webinar "Better Benefits Exist: 5 Reasons to Self-Fund")

Completing credit reviews: How quickly is your team getting the job done?

Best practices to save time on this critical risk management practice

When it comes to speeding up the credit review process, three best practices can help get your business there:

1. tapping a best-in-breed online credit application
2. automating correspondence when you're missing information, such as bank or trade references, and
3. allowing applicants to track their application status in real time.

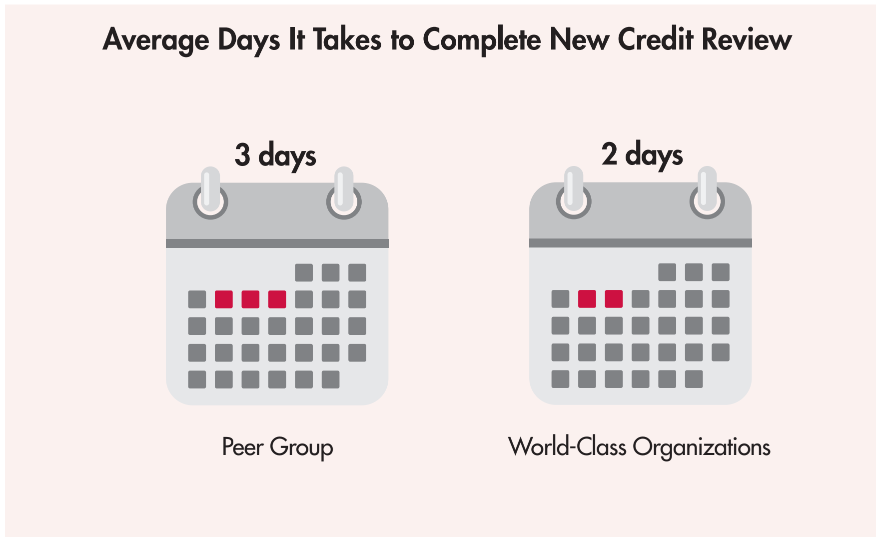
Long-lasting benefits

Your A/R department, as well as your entire company, stand to reap some serious benefits.

For one, manual errors will drop, which can save both staffer time and company money.

And the increased visibility into the application process will improve customer experience, which has emerged as a top priority for your peers *(please see chart on Page 8)*.

EFFICIENCY METRIC CHECK



Source: *"Evaluate Your Order-to-Cash Process: 15 recommended metrics to benchmark your O2C operations," Hackett Research Summary by highradius*

Your peers at the front of the pack are making credit decisions 33% faster than most companies. A superior on-boarding experience paves the way for a more profitable experience the entire duration of the relationship.

Sharpen your judgment… THE DECISION

(please see case on Page 2)

Yes. The company appealed the fine to the Occupational Safety and Health Review Commission (OSHRC), which dismissed it. So the employer is not out $21,000.

OSHA claimed that the employee who was injured hadn't been trained to work on pipes safely.

The company agreed that the worker hadn't been trained, but said it was for good reason: He wasn't supposed to have been doing that work and had even been instructed not to try it.

The worker disobeyed that order, the company argued.

And a judge agreed. While the company would've been required to train a worker on the hazards if it was his job, in this case, the worker went against his supervisor's direct orders.

Therefore, the fine was thrown out.

Analysis: Train on what not to do, too

Of course, part of working safely is not only knowing what not to do.

It's important that your company trains workers on how to do their work safely. But it's equally important to make sure they know when to step back and leave a job to someone who is more qualified to do it safely.

This company may have avoided a five-figure fine, but people still got hurt on the job.

Cite: Secretary of Labor v. Furmanite America Inc. *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.

Formula adjustment for value of fringe benefits?

Q: Has the formula for valuing non-commercial flights on an employer-provided aircraft changed in light of COVID-19?

A: The coronavirus pandemic impacted many aspects of business, including the valuation of fringe benefits.

The rate the Department of Transportation (DOT) sets to determine the value of private flights provided by an employer – called the Standard Industry Fare Level (SIFL) rate – has increased substantially.

Reason? As explained in *IRS Revenue Ruling 2021-11,* written by Kathleen Edmondson, airline seat miles were reduced faster than airline industry expenses during COVID-19, and that info is used in the formula.

Also of note, the Coronavirus Aid, Relief, and Economic Security Act provided financial help to the airline industry through the Payroll Support Plan (PSP), stated Edmondson.

With all this in mind, the DOT has come out with three SIFL rates, and they're found in the revenue ruling.

The first is the unadjusted SIFL rate. The second is the SIFL rate adjusted for PSP grants. The third is the SIFL rate adjusted for PSP grants and promissory notes. Employers may use any of the three rates when determining the value of the fringe benefit.

A chart containing dollar amounts can be found in the revenue ruling. The rates are effective for the period of Jan. 1, 2021 through June 30, 2021.

Using EIN after moving to centralized location?

Q: We have many federal employer identification numbers (EINs) under our umbrella company. When we move Payroll and A/P to a centralized location as we plan to do, we'd like to shift our child support withholding responsibilities to that location. Are we able to use that new EIN for our existing child support orders?

A: Yes, according to Sherri Grigby, Manager Employer Services Team, Office of Child Support Enforcement (OCSE).

Speaking at the American Payroll Association's Virtual Congress Xstream in a federal agency Q&A session, she said employers in such a situation should continue to honor existing income withholding orders (IWOs).

You don't need to receive a new IWO reflecting the updated EIN, noted Grigsby.

The various child support agencies will be contacted by the OCSE. That's because OCSE sends out e-flashes regarding changes, such as new EINs.

After that, you may or may not receive updated IWOs from the child support agencies.

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

COMMUNICATION KEYS

How to foster 'by the way' moments virtually

Work from home has eliminated a small, but important, part of working together: the "by the way" moment.

It's those times when people walk out of a meeting and comment late on something that came up – and it's the breakthrough solution.

Or when a boss notices good work – and it makes the employee feel great for the day.

These are important, says Michael Wade, author of *All I Said Was*. They happen best in-person – hallways, meetings, water coolers, etc.

In the absence of those, managers want to ask employees virtually, "Is there anything else you want to mention?"

2 exercises to make you a better business writer

Think being a "numbers person" means you aren't a writer? Think again. The average person responds to 122 emails a day.

As that may not be your comfort zone, why not take a page – literally and figuratively – from professional writers?

The internet has tons of writing exercises (a Google search will yield a mint). Freewriting lets you get more comfortable with the act of writing. Two great exercises to do that:

- **Fill the space.** Pick up anything in sight – an envelope, a receipt, etc. – and write about anything you want until you fill the space.
- **Pick a word.** Grab a newspaper and write for five minutes on the first word you see.

Info: *writers.com/best-writing-exercises*

Recent developments that can help your business stay ahead

New overtime threshold coming soon?

Hang on to your wallet! Your company may soon have a lot more overtime-eligible employees. A lot more.

Less than two years after the new $35,568 salary threshold went into effect, the feds are reviewing that number again.

Labor Secretary Marty Walsh recently said the Department of Labor is in the process of reviewing the present overtime eligibility threshold.

We're not looking at a tiny bump-up either – Walsh mentioned the current number is "definitely" too low. And don't expect this to be a one-time thing: He views regular and automatic updates to the OT threshold as a necessary requirement.

We'll alert you the minute the new number gets released.

Revised Form 941 released for Qs 2-4

IRS released a revised version of *Form 941, Employer's Quarterly Federal Tax Return,* for your company to use going forward.

You should rely on the latest form, revised in June 2021, for all 2021 taxes with the exception of the first quarter of this year. The newest version incorporates changes required by the American Rescue Plan Act.

You and our team will want to take note of some new lines added:

- 11e: Nonrefundable portion of COBRA premium assistance credit
- 11f: Number of individuals provided COBRA premium assistance, and
- 13f: Refundable portion of COBRA premium assistance credit.

Info: *You can download a copy of the latest version at irs.gov/pub/irs-pdf/f941.pdf*

The 6 states with most money lost to online fraud

Fraud losses aren't cheap no matter where you're located. But in 2020, the largest hits came in these six states:

- Colorado
- Illinois
- Missouri
- Ohio
- Pennsylvania, and
- Virginia.

Those states all experienced internet fraud losses between $99 million and $199 million last year.

That's straight from the FBI in its Internet Crime Complaint Center 2020 Internet Crime Report.

Info: *You can download the full FBI report at www.ic3.gov/Media/PDF/AnnualReport/2020_IC3Report.pdf*

Final holdout state passes online sales tax law

If your business sells online to Missouri customers, get ready to start collecting sales tax on those purchases.

Missouri is the final state to pass an online sales tax law. It was just signed by Governor Parsons.

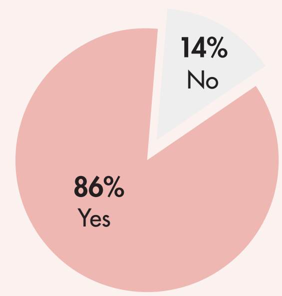
Under it, out-of-state sellers with at least $100,000 in annual sales in Missouri need to collect state and local taxes. But you have a little time to prepare – the law doesn't kick in until 2023.

Note: Marketplace facilitators also must start collecting then.

Info: *You can read the full law at senate.mo.gov/21info/bts_web/bill.aspx?SessionType=R&BillID=54245348*

MEASURE UP

Will buyers pay more for a better customer experience?



Source: *"37 Customer Experience Statistics You Need to Know for 2021," at* superoffice.com/blog/customer-experience-statistics

If you're not devoting the attention – and dollars – to improving the customer experience, beware: Your peers (and competitors) are! Nearly half (46%) say that's the top priority over the next five years. That's over pricing and product.

Lighter side: They tried to expense what?!

Just when Accounts Payable thinks it's heard and seen it all, a new list of outrageous expenses comes out!

This time it comes from Oversight's Top 10 Most Shocking Expenses.

Here are some of our favorites:

- $1,500 at McDonalds
- Peloton bikes for everyone in a department
- a pet monkey
- a polo team
- drinks for the entire bar during the Super Bowl, and
- car repairs because an elephant sat on the hood of an employee's rental car.

Info: *For the complete list, go to oversight.com/blog/top-ten-craziest-expenses*