From CFO | Daily News:

CFO & CONTROLLER Alert

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

July 13, 2020

KEY FINANCE FIGURES

	Curr*	Lst Mo	Lst Yr
Leading Rates %			
Prime Rate	3.25	3.25	5.50
Fed Funds Rate	0.25	0.25	2.50
Money Market Rates %			
London Interbank (LIBOR)			
1 month	0.18	0.17	2.40
3 months	0.30	0.37	2.31
6 months	0.38	0.59	2.30
Stock & Bond Indexes			
DJIA	25,015	25,383	26,548
S&P 500	3,009	3,044	2,917
NASDAQ	9,757	9,490	7,885
5-Yr T-Bill	0.30	0.30	1.76
10-Yr T-Bill	0.64	0.65	2.00
NACM Credit Managers' Index			
Sales	28.6	20.0	65.9
New credit apps	43.3	31.1	64.2
Dollar collections	43.2	35.5	59.8

*As of 6/25/20

Post-COVID credit process: Cash flow wins and risks

New benchmarks reveal impact on your peers

Managing risk always holds a critical position at the top of a CFO's to-do list … and it's never been more challenging.

That's especially true on the A/R side. The overwhelming majority (88%) of credit professionals have seen an impact from the coronavirus pandemic.

That's the word from the front lines in the National Association for Credit Management's (NACM) latest COVID-19 survey from early June.

The "new normal" is anything but normal for you and your customers. Only trouble? Few of your peers are adjusting their credit policies to account for the increased risk.

Check out where other companies are coming up short to ensure you're guarding against the additional risk during these uncertain times.

2 troubling trends raising exposure

There's plenty of reason to have your guard up: Two-thirds (68%) of companies had their customers request an extension of payment terms last month.

However, many of these customers

*(Please see **Cash flow …** on Page 2)*

IRS releases HDHP, HSA limits for 2021

Most thresholds are going up modestly next year

We're barely through 2020, and IRS has already pushed out key limits for 2021!

Specifically, the Taxman has released the limits for high deductible health plans (HDHPs) and health savings accounts (HSAs).

Spoiler alert: You'll be able to be more generous with employees next year. Your 2021 thresholds:

- The maximum HSA contribution for an individual with self-only HDHP coverage: $3,600 (up $50).
- The maximum HSA contribution for family HDHP coverage: $7,200 ($100 more than in 2020).
- The maximum out of pocket amount for a self-only coverage HDHP: $7,000 (up $100).
- The max out-of-pocket limit for an HDHP participant with a family plan: $14,000 (a $200 increase).
- The minimum deductible HDHP coverage: $1,400 for self-only and $2,800 for family coverage (no change).
- The maximum amount for HSA catch-up contributions for those age 55 or older holds at $1,000.

***Info:** IRS* Rev. Procedure 2020-32

Cash flow …

(continued from Page 1)

may have experienced a drastic change in their financial picture … and their ability to pay you.

Unfortunately, not everyone is going to find that out before it's too late.

The NACM survey uncovered two major exposures:

- 60% of credit departments haven't requested new financials since March, when the pandemic took hold in the U.S., and
- 20% of credit pros haven't re-evaluated their credit risks in recent months.

That one-two punch is critical right now to protect your company and your cash flow from some very expensive surprises.

Which means that you want to touch base with your credit staffers to see whether you need to start asking for new financials from at least those customers with the potential greatest impact on your own organization's cash flow.

With that data in hand you'll be able to have the larger, more strategic conversation about the credit risks you're facing in the months ahead.

Your most critical ally now

And you do have an existing tool at your disposal that can help you minimize your risk.

Many of your peers say they're leaning much more heavily on trade references these days to help them with their short-term decision-making.

Reaching out to trade references and participating in credit groups can help you determine how customers are paying during the crisis.

Which is important intel to have as almost two-thirds (62%) of credit pros say they've tightened up on their credit investigations these past few months.

That's one camp you want to be in for sure.

Info: *NACM survey results reported in "Credit Professionals Dealing with Challenging Times,"* *by Michael Miller,* NACM eNews, *6/11/20.*

ENJOYING THIS BENEFIT?

One upside some credit departments are experiencing through all of this?

A major improvement in communication – 24% of credit pros say they now communicate better. That's a significant uptick over just a few months ago.

But don't lose momentum on this. Talk with your credit staffers about why communication is better, then figure out how to build on those improvements to better this critical cash-flow function even more.

From CFO | Daily News:

CFO & CONTROLLER Alert

EDITOR-IN-CHIEF: JENNIFER AZARA
jazara@pbp.com
EDITOR: LYNN CAVANAUGH
EDITOR: MANDY RICHARDSON
PRODUCTION EDITOR: JEN ERB
EDITORIAL DIRECTOR: CURT BROWN

CFO & Controller Alert (ISSN 1081-9592), Issue date July 13, 2020, Vol. 26 No. 584, 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.

■ Did firm retaliate after her accommodation request?

"Hi, Jenny, come on in," CFO Bill Keeper said to office assistant Jenny Reynolds, who was standing at his door.

"I wanted to talk to you about some restructuring we're doing," Bill said as Jenny sat down. "We've selected you to be transferred to our other location.

"You'll have the same exact hours and same exact pay. Your job will be the same, and the office is only three miles from here," said Bill.

"Does this have anything to do with my request for an Americans with Disabilities Act [ADA] accommodation five months ago?" asked Jenny.

"Not at all. You asked for an accommodation for some lifting restrictions because of your arthritis and carpal tunnel issues. We had no problem giving it to you," said Bill.

Timing of the transfer

Jenny left his office and was transfered to the other location the following week. However, shortly afterwards, she decided to sue her employer, claiming the transfer was retaliation for asking for an ADA accommodation.

Even though Bill was worried about the timing of the transfer – five months after her accommodation request – he decided the firm could get the case dismissed. Did Bill's firm win?

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

Pick-your-own perks ensure you're spending money in the right places

■ *A one-size benefits plan no longer fits all, or makes financial sense*

It's a win-win for all involved. Letting employees choose their own benefits – with a lifestyle spending account (LSA) – is a way of empowering them and retaining them. For firms, particularly smaller ones, it's a way they can compete when attracting new talent.

An LSA is an account funded exclusively by employers after taxes have been taken out. So it is taxable to employees, but allows them to spend money on limited "lifestyle" expenses, such as gym memberships, personal care, yoga classes or child care.

Firms choose dollar amount

Firms give an allowance to employees – typically $500 to $1,000. As the generational mix of employees changes, you can add or cut allowable expenses as needed.

Firms can deposit the funds in full on Jan. 1 of each year or spread them out monthly or quarterly. You can even decide whether employees are able to roll over unused LSA funds each year.

Employers can work with a vendor to identify LSA categories and quickly implement a plan, since the post-tax offering eliminates any IRS regs. Most LSA vendors have apps and chat features that employees can use to check allowable expenses and make claims.

Adapted in part from "How to offer personalized perks at scale," by Christian Ellers, at hrtechnologist.com

FOR MORE …

For a benefits program success story, go to *cfoandcontrolleralert.com/we-made-our-wellness-program-worth-the-effort*

IRS OKs leave donation for COVID relief

■ *Employees looking to help impacted folks? Here's how to set it up*

If your company wants to let employees donate their sick, vacation or personal leave to victims of the coronavirus pandemic, go right ahead – it's OK by IRS.

IRS Notice 2020-46 gives specifics on how employers can administer such leave donation programs.

Here's what you need to know to help your employees be charitable while you remain in compliance.

What's in bounds, what's not

There won't be a ton of added work involved for your Payroll team – the donations you make on behalf of employees will not be treated as compensation.

You must also make sure employees understand that since the donations aren't being treated as income, they can't deduct them on their personal taxes later.

But you know who can deduct them? Your company.

IRS clarified in its announcement that employers may deduct these cash payments as a business expense or as a charitable contribution deduction … as long as you otherwise meet the respective requirements of either option.

Info: *You can download IRS* Notice 2020-46 *at irs.gov/pub/irs-drop/n-20-46.pdf*

ECONOMIC OUTLOOK

■ Hey, big spenders! Where did you all go?

Consumer spending has always played a critical role in the health of the U.S. economy.

John Q. Public opens its collective wallet, and the economy starts chugging along again.

But just like everything to do with the coronavirus pandemic, these circumstances are anything but normal. And that extends to consumer spending as well.

Here's why that could spell additional trouble for us.

Not back to pre-COVID levels

In this situation, many people are spending again (or even spending still in some cases).

However, there's one key group that's keeping their wallets welded shut: the wealthiest American households.

So far these folks have yet to return to pre-COVID spending levels.

In contrast, lower wage earners are basically back to where they were, and we saw a significant bump up when stimulus checks were received.

The only trouble? Those wealthiest spenders are far and away the biggest drivers of the economy. This minority (25%) of Americans account for fully two-thirds of the total decline in spending we're experiencing.

Yes, there's an easy explanation for some of it – those well-to-do folks spend a lot of their money on travel, which has been off-limits for months.

Will their spending come back faster as things re-open? Stay tuned.

(Adapted in part from "The Rich Have Stopped Spending and That Has Tanked the Economy," by Scott Horsley, at npr.org)

Virtual cards: The latest must-pack essential for business travel today

■ *Contactless payments make employees feel safe as they save you money*

The packing list for that next business trip in 2020:

- laptop
- boarding pass
- hand sanitizer, and
- virtual payment card.

The cards serve a similar purpose to the hand sanitizer: providing clean, contactless payments, which is something the hotel industry is now placing a premium on in the wake of COVID-19.

If you're only using this technology sometimes (or not as all) you'll want to get all your road warriors set up for it now as business travel resumes.

Straight to a virtual wallet

One critical improvement that makes this a more appealing payment option than ever before?

Those 16-digit credit card number "cards" created solely for a single transaction have now evolved to the point where employees can save their virtual cards to their mobile wallets.

Employees can simply tap to pay any place that takes ApplePay or GooglePay.

And contactless payments are exploding in the hospitality industry. In the first third of 2020, virtual card payments grew at twice the rate of market share as a year before.

Virtual cards also streamline things for your company on the back end – no more sifting though countless invoices. Your peers report their processing times drop from as many as 60 days to under seven with the cards.

Not to mention, the more heavily you rely on this technology, the more your organization can make back in rebates.

Adapted in part from "Is This Finally the End for Hotel Bill-Back?" at businesstravelnews.com

Telecommuting and tax nexus: an update

■ *Some WFH arrangements will become permanent, with tax consequences*

As working from home becomes permanent for many, income tax nexus can be triggered in states where employees live, and now, work.

Some states have put these nexus rules on hold *(see Controlling Tech Costs,* C&CA, *5/28/20)*, so you'll want to check expiration dates to be ready.

Telecommuting nexus checklist

Here is a partial checklist to determine telecommuting nexus. A full list is available at the URL below.

1. Identify states where you already have nexus. If employees telecommute from any of them, register there as a withholding agent.

2. If no nexus is yet established, check state law on telecommuting. Register as a withholding agent for any applicable taxes, and withhold and deposit taxes on schedule.

3. Apply the "Convenience of the employer" test to see if taxes are owed in both states. States' rules differ depending on specific factors.

4. If employees work occasionally at your facility, see whether (and how much) to withhold for both states.

5. Determine which state's unemployment payments are due and when.

Info: *tinyurl.com/telenexus584*

MANAGING FOR RESULTS

■ Steer your firm's allyship: The key to a diverse team

While developing a diversity and inclusion (D&I) initiative might already be part of your strategic planning, it's now front and center for many firms, due to recent events that have sparked a conversation on racial injustice.

But what makes for an effective D&I plan? Creating an "allyship" – a process that builds relationships based on trust and community.

Developing a diversity plan

Here's how someone in leadership can start the process, according to Laura Hamill, co-founder of software firm Limeade, which has put its own D&I plan in place.

- **Make a move.** There are many ways to take a stand against racism. It could simply be making a statement to your employees that racism is unacceptable or having a one-on-one conversation with a person of color, offering advice and resources to help further their professional development.
- **Set new norms.** This is about changing awareness and calling out inappropriate behavior. Say you've noticed that someone of color gets interrupted repeatedly. Point that out by repeatedly stopping the conversation to offer them the space to talk freely. Others will soon become aware of this microaggression.
- **Measure inclusion.** Gather feedback from your employees by sending confidential surveys so they can be honest about what areas in the company still need improvement.

(Adapted from "How Allyship Drives Workplace Inclusion," by Sheryl Estrada, at HRdive.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.

1 Benefit we offered when folks most needed it

With the coronavirus forcing school closures and camp closures this summer, many working parents are struggling to balance caring for their children while working.

These changing times called for us to refocus on what's important for our workforce. So we added a new benefit I was already using with my own children.

Employees receive a monthly credit to access live online classes on *Outschool.com*, an online education platform for children ages 3 to 18.

There are thousands of classes available to kids at all hours of the day. This provides working parents with an uninterrupted opportunity to join a business call knowing their kids' time is being spent more meaningfully.

Helps employees and their kids

Our mission, as a next-generation benefits provider, is to deliver a better benefits experience. I see changes to the employee benefits sector. A gym membership may evolve to become an online yoga class. Instead of employers investing in office spaces, we'll likely see firms helping support better home office technology for their employees.

During this unprecedented time, it's critical to recognize the additional hardships working parents are facing and consider new types of benefits to support them.

(Rachel Lyubovitzky, CEO, EverythingBenefits, New Providence, NJ)

REAL PROBLEMS REAL SOLUTIONS

2 The strategy that eased our software transition

As if getting a new finance software package upgrade installed and running wasn't already challenging enough, we needed to get it done when a dangerous storm was on the way.

We knew it was critical to complete the transition – and still leave enough time to get everyone home safely.

Prep work was essential

To make sure everything was done correctly and efficiently, our software upgrade required coordination between several departments.

Finance did a lot of planning up front. We laid out business process reviews and defined everyone's individual job duties.

We also hashed out details like who needs to run different types of reports, who needs what kind of system access and what items we had to get our hands on.

This turned out to be especially beneficial because it helped us identify the existing steps of our process and what would be changing in the upgrade.

For safety's sake, we designated who could stay home the week of the storm and who were the essential personnel for last-minute testing of the final pieces.

Thanks to lots of preparation and teamwork, everyone got out the door in time to avoid danger – and the new finance software system was implemented successfully.

(Laurie Hagberg, Finance Assistant Director, Charleston County Government, North Charleston, SC)

3 Supply chain disruption a chance to improve

Since the beginning of the crisis, it's been largely business as usual for us. We didn't have to move to remote work or interrupt daily duties too much other than providing PPE to employees and taking extra safety precautions.

We did come up against some interruption to our supply chain.

While we've been very blessed that our employees could continue working and not lose their jobs we do still need the required materials to complete our jobs properly.

Opened up to new suppliers

We've had difficulty getting some of our specialty supplies to us. Mostly it's the same issue everyone else is facing: People aren't working so things fall through, orders get lost or items are completely unavailable.

However, we're a bit of an unusual company and we need really specific items in order to operate.

We had to do a lot of digging around to find new suppliers for these items because we're quite outside of the norm with some of the things we need, but we've been successful at this so far.

The crisis has really opened us up to working with new suppliers that can meet our needs.

Now we're able to get all of the supplies we need from our vendors, new and old. A little extra work to find them really paid off – and now we can continue to work during this time of uncertainty.

(Dawn Shanes, Business Manager, Griffon Aerospace, Madison, AL)

The toughest post-COVID-19 compensation questions are still to come – have you started the conversation?

Less than a quarter of your peers have begun developing 2021 compensation increase plans

Most companies didn't have to address the issue of backward-looking compensation when the coronavirus pandemic took hold in the U.S. – that horse was out of the barn as the first quarter was almost complete.

Not to mention when it came to things like bonuses, those were being paid out based on 2019 performance.

2020 will be a whole other animal.

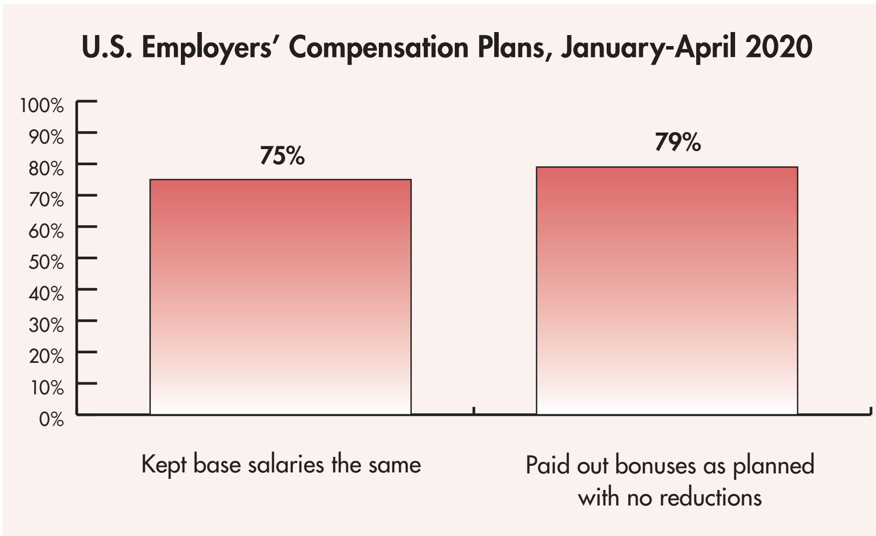
Get those wheels turning

Many companies have taken serious financial hits over the past few months and the economic future remains uncertain.

Yet three-quarters haven't started the conversation about how they'll handle compensation increases in 2021.

Granted, you don't have the full financial picture yet. But if ever there was a case for some scenario planning, this is it.

TIMING IS EVERYTHING!



Source: *Mercer's 2020 US Compensation Planning Pulse Survey (May Edition)*

When you consider that the vast majority of employers make base salary adjustments and pay out bonuses either at the end of the calendar year or by the end of Q1, it's no surprise that most of your peers went ahead with compensation as planned.

Sharpen your judgment...
THE DECISION

(please see case on Page 2)

Yes. The company won when a court dismissed the employee's case.

The employee's attorney argued that the transfer was retaliation for her Americans with Disabilities Act (ADA) accommodation since it happened five months after her request. Transferring her to another location proved the firm didn't want to deal with her restrictions, her attorney said.

But the court disagreed. It said the company initially granted her accommodation request without any issues.

Additionally, her subsequent transfer couldn't be seen as retaliation because she received the same hours and salary. The new location was only three miles away. Almost nothing changed for the employee after the transfer – the court deemed it to be non-retaliatory and due to company restructuring only.

Analysis: Be aware of potential 'adverse actions'

In this case, the employee's transfer wasn't deemed an adverse employment action, due to the same hours and pay. However, this could've gone differently if her new job was measurably worse, or a longer commute, than the old one.

When dealing with an ADA-protected employee, it's essential to be mindful of three things: 1. the timing of any transfers or disciplinary actions, 2. inconsistent disciplinary treatment, and 3. clear documentation of performance issues.

Cite: Lewis v. Clark County School District, *U.S. Crt. of App. 9th Circ., No. 18-17060, 3/30/20. 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.

Keeping costs down when seeking outside counsel

Q: What are some of the items we can ask outside counsel for in a project plan that can help head off excessive charges?

A: When hiring outside counsel, always ask for a detailed project plan. That's straight from the managing partner of a compliance law practice, speaking with Regulatory Compliance Watch (*privatefundscfo.com/hiring-outside-counsel-neednt-cost-earth*).

In addition to agreed-upon milestones and deadlines, the plan should include an estimate of the number of hours required per task and who will perform various tasks, how the final work product will be delivered, and a summary of potential or likely issues that might change any part of the plan.

For example, ask whether scheduled communication with counsel is included in the estimate and, if not, whether different methods of communicating carry different charges. And avoid setting a maximum budget up front – if you do you're almost guaranteeing your legal bill will hit it.

COVID and cybercrime: What's the best defense?

Q: We have seen an increase of cybercrime at other companies targeting the COVID-19 "opportunity." What can we do to protect ourselves?

A: Steve Durbin, Managing Director of Information Security Forum, recommends saving the company the embarrassment and financial impact of a major data breach by taking proactive steps and anticipating targeted attacks.

Companies should take the time to develop a data breach response program. They should also rehearse different scenarios that may occur.

The coronavirus pandemic has proven that all businesses are dependent on cyberspace, so cybersecurity should be a top priority for CFOs and businesses everywhere.

Some major areas where companies should address security are home and remote work and supply chains.

Remote work has raised the risk of cyberattack. Cybersecurity teams should be reviewing key policies, and addressing vulnerabilities so that they don't turn into opportunities for cybercriminals.

Additionally, while supply chains have on-site and in-person security requirements, that's not enough during the crisis. Companies should review minimum acceptable security requirements: amend existing and new contracts and adjust the stringency of requirements.

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

COMMUNICATION KEYS

Updates during tough times

In uncertain times it can be hard to talk with staffers about long-term plans. You can ease concerns by explaining where your business needs lie now and project what you'll need over the next six months. Then be sure to give regular updates.

Opening up lines of communication will ease worries even when you don't have definitive answers.

Info: *tinyurl.com/RRR-CFO*

Receiving feedback as much of a skill as providing it

The ability to take something useful away from even poorly-pitched feedback could be the key to your next big idea.

Ask employees and business partners, "What's one thing we're doing – or not doing – that's getting in our way?" Really process the feedback even if it's negative; don't try to find a fault in it first. It could trigger a really great idea or get you thinking differently about a situation

Info: *tinyurl.com/feedback-skills*

Virtual fatigue is real: Combat it with variety

Let's face it – virtual work is exhausting! We're often tempted to multi-task during meetings, plus a lot of folks feel hyper-self-aware staring at their own faces during video calls.

Spice it up by adding variety. Try an energizer like a "Simon Says" style game. Sitting and listening lets the fatigue sneak in, but moving and active participation will curb it. Add a group stretch or other activity where you hop up and move around. It'll be fun and staffers can be creative.

Info: *tinyurl.com/virtual-fatigue*

Recent developments that can help your business stay ahead

New Form 941 should arrive this month

IRS released the draft version of the revised Form 941 back in the spring, but your payroll department should have the final version any day now.

The Taxman revised the quarterly federal tax return mid-year to account for the new coronavirus-related employment tax credits and other tax relief. Most notably, Line 13 has expanded to seven lines (Line 13a through Line 13g).

We'll alert you the minute the final form gets released.

Info: *You can see the draft version at irs.gov/pub/irs-dft/f941--dft.pdf*

Sales tax rate changes to hit a high on city level

Make sure both Accounts Receivable and Accounts Payable pay particular attention to city sales tax charges on invoices.

Those jurisdictions are making a record number of rate changes in the first half of 2020. So find the experts at Vertex, Inc. in its *2020 Mid-Year Sales Tax Report*.

There were 150 city rate changes (140 of which were increases) and 35 new taxing cities in the first five months of this year. That's significantly higher than the same period in 2019.

Info: *vertexinc.com/resources/resource-library/early-look-2020-sales-tax-rate-changes*

The biggest frustrations of remote work are …

While many of us have been working from home for months now, it doesn't mean it's all smooth sailing.

A recent survey by Fluxon gives you an idea of where most people are encountering frustrations. The top three issues with remote work:

- technology (50.8%)
- communication (39.6%), and
- virtual meetings (34.4%).

You'll want to follow up with staffers to make sure IT is being as responsive as possible.

Info: *fluxon.com/insights/study-evolving-opinions-on-working-from-home*

Benchmark: The average cost of a business trip

You might not have too much business travel on the schedule in recent months, but it's going to pick up soon.

New benchmarks from Runzheimer help you and A/P know what to expect. The average cost per work trip now sits at $1,286. That breaks down as:

- lodging (34%)
- airfare (27%)
- meals (20%), and
- car rentals (19%).

Info: *For* Business Travel Expense Trends: Conference Travel Cost, *go to in.motus.com/2020-business-travel-expense-trends-report*

Lighter side: Now that's some unclaimed property!

You and your team understand that uncashed checks, customer payments, etc., must be returned to their owners or the state. Sometimes that's easier said than done.

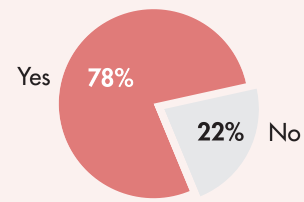
Authorities in Luzerne, Switzerland can sympathize. They've been trying to locate the person who left approximately $190,000 worth of gold bars behind on a train last October. Still, no one will claim it.

We bet your staffers could track down the owners … for a finder's fee!

MEASURE UP

Positive Reviews

Do you think your company followed the proper guidelines to stop the spread of COVID-19?



Source: Job-Applications.com

The good news is more than three-quarters of employees are pleased with the way their companies handled the COVID-19 crisis. Next step: Carefully handling the return to the office while keeping folks safe.

FROM OUR SUBSCRIBERS

Over 90% of our readers say that **CFO & Controller Alert,** ***with its quick-read format, is more valuable than any other publication they read.***

"*CFO & Controller Alert*'s fraud alerts [are most helpful] – I give the tests to my Accounting team."

Victoria Alterman
Controller
Contec Americas

"*CFO & Controller Alert* provides a quick read on issues."

Rob Kmetz
Controller
Klein and Hoffman, Inc.

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.